



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

## Market Highlights for the Week:

- Price of 90CL imported beef now trading at a 4 cent premium to domestic fresh product
- Cattle prices in Australia now above US prices on tighter supplies there
- Big shortfall in imported beef supplies in the last four months helping support imported beef values
- Some market participants caught short in the current market
- Some expect announcement next week regarding imports of fresh/frozen Brazilian beef in the US
- US cattle prices continue to slide but lean and beef trim values holding up on robust retail ground beef demand

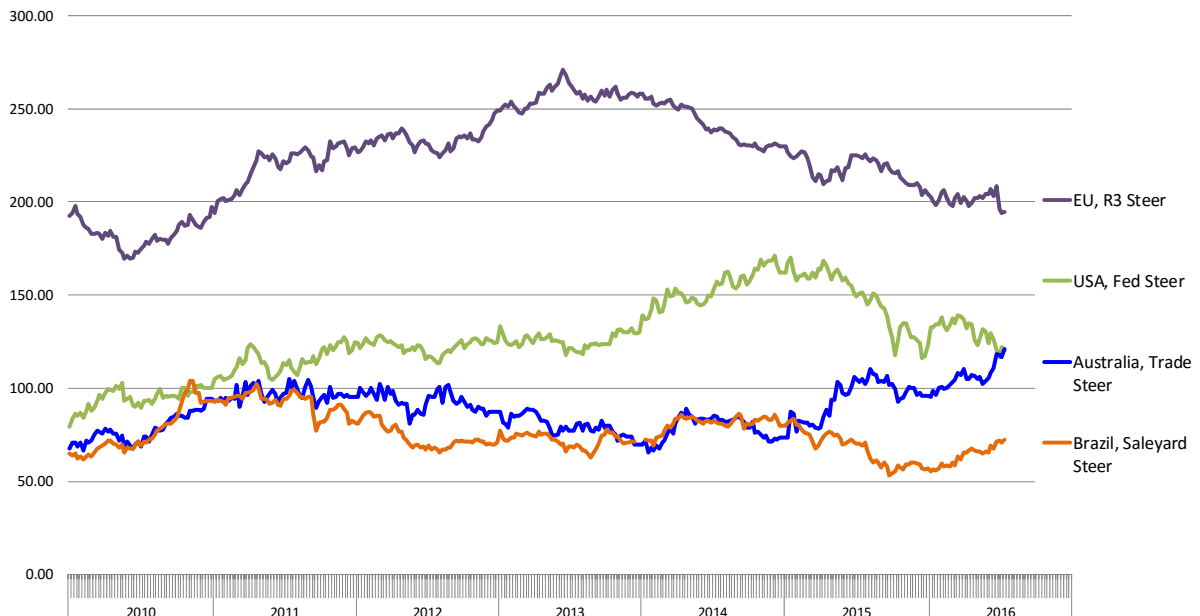
## Imported Market Activity for the Week

Prices for imported beef in the US market continued to move higher this week and now are trading at a premium to domestic fresh boneless beef. While we expected imported beef to command a premium to domestic beef, the shift in prices has come a bit faster than earlier projected (we thought it would be late August). Market participants we contacted as part of our weekly survey were split in their assessments of the market. For some the recent rally in the value of

improved beef was largely due to some market participants that were caught short following the sharp decline in imported beef availability and thus were forced to try and cover those shorts with limited success. Some market participants continued to indicate that they see overall business conditions in the US as soft, with foodservice sales below expectations. Others, however, held a more bullish view of the market. They highlighted the fact that 50CL beef continues to trade in the high 80 cent area even as US fed cattle slaughter is running about

## CATTLE PRICE TRENDS IN EUROPE, NORTH AMERICA, SOUTH AMERICA AND OCEANIA

Prices Converted in US\$/CWT. Data Sources: MLA NLRS, Esalq/Cepea (Brazil), USDA, & AHDB



10% above year ago levels. They see supplies of fat trim in the market appear to be relatively tight due to much more aggressive ground beef promotions at retail and continued popularity of premium hamburgers. They also noted that domestic lean grinding beef values have held up quite well despite a significant increase in both fed and non fed slaughter. Indeed, cow/bull slaughter last week was reported at 114,000 head, +14% higher than last year. For this week we estimate cow and bull slaughter at 112,000 head, +13% compared to last year. The increase in non fed slaughter follows the +10% increase in fed kills we mentioned earlier.

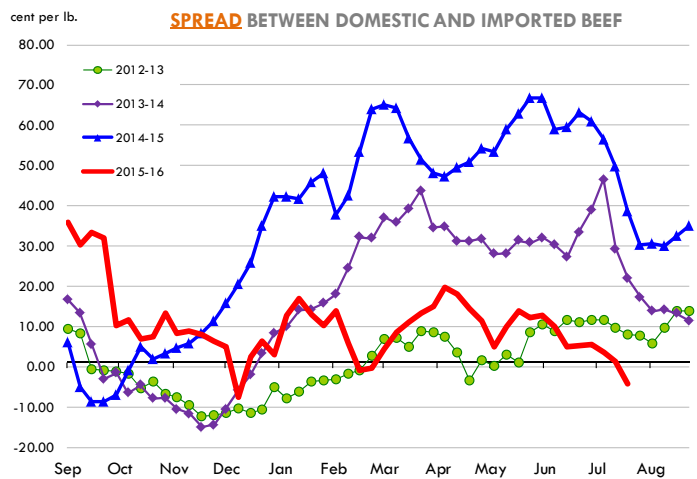
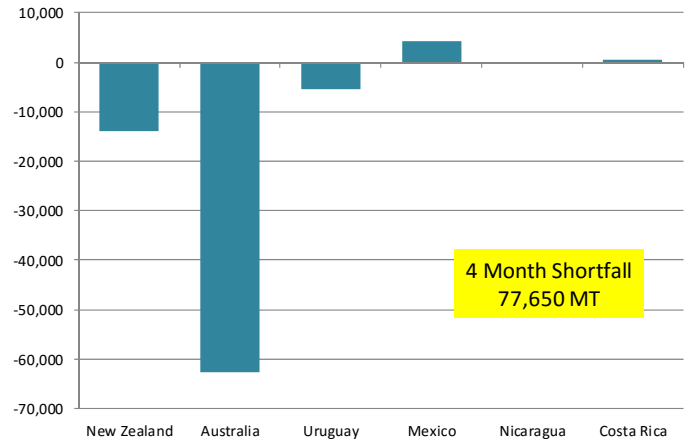
**Shortfall in imported beef supplies**

We have mentioned often in the last three months that impact that lower imports are having on the price of imported beef specifically but also on the overall grinding beef complex. We currently estimate that beef imports from the main suppliers of grinding beef to the US are down by more than 77,000 MT in the last four months alone (see chart above). Lower imports from Australia account for the bulk of the decline but imports from New Zealand and Uruguay also have declined significantly relative to the amount of beef these countries ship to the US. Please note that we do not have actual import data for June and July and our estimates were passed on the pace of weekly shipments as well as slaughter trends in recent weeks. Some of the decline in imported beef volumes has been offset by the larger domestic supply. Still, the decline in imports has created a notable supply hole, particularly when you consider that direct shipments now make up a much more significant portion of imports. Imported beef supplies in the open market are down dramatically, especially now that New Zealand season is over, thus leaving traders scrambling to find supplies to cover regular customers.

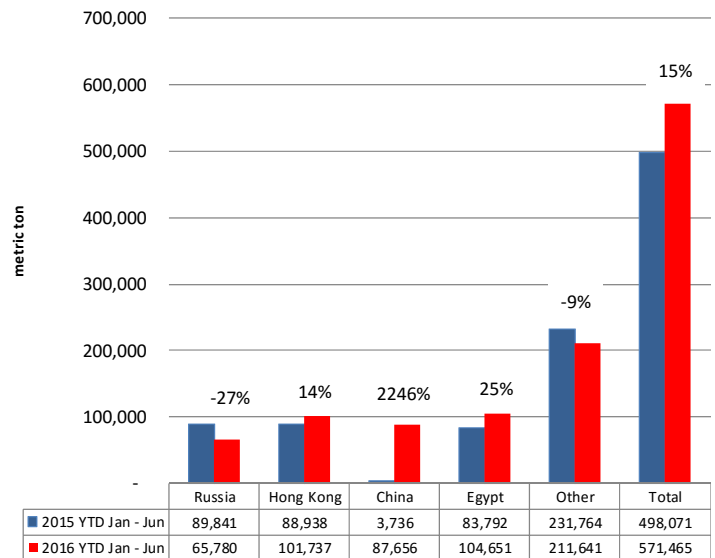
**Brazil update**

A recent report in Bloomberg quoted the head of the Brazilian beef export federation, ABIEC, saying that he expects an announcement next week on exports of raw Brazilian beef to the US. While Brazilian beef has been effectively been granted access to the US market, so far it has not been able to ship any products to the US. For that to happen, FSIS (Food Safety Inspection Service) needs to complete the equivalence review and certify plants that fulfill US criteria and can ship to the US. It is our understanding that one reason for the delay in US certification is because Brazil has not completed its review of US plants. It is possible that both countries have con-

**Shortfall of Imports from Key Suppliers of Fr/Frz Boneless Beef: April - July 2016**  
Based on USDA Imports through May + Steiner Estimates. Product Wt. Basis



**BRAZIL FRESH/FROZEN BEEF EXPORTS: YTD 2016 VS. 2015**



cluded the necessary review. An announcement is likely next week following the visit of the Brazilian Agriculture Minister Blario Maggi.

How much could resumption of Brazilian beef imports impact the market for grinding beef in the US? Initially we think the impact will not be as dramatic as some expect. Brazil already has ramped up its beef exports this year thanks to very strong demand in the Chinese market and the Middle East. However, the US market still is paying some of the highest prices for lean beef in the world so it will not be difficult to pull some product that currently is going to other markets. The initial challenges in our view have to do with:

- the fact that US end users need to evaluate Brazilian beef and potentially include it in their purchasing specs
- It is unclear at this point if Brazilian plants will be able to meet the strict testing and lotting requirements that US has put in place in recent years.
- The lack of sufficient quota. Brazil does not have a country specific quota allocation like Australia or New Zealand. As a result it will have to clear beef using the MFN quota of around 64,000 MT. So far this year about 22,000 MT of that quota has been used by Central American countries and Ireland. Given current prices in the US we expect out of quota shipments from Brazil to be relatively minimal. Our working assumption is that, if granted access next week, Brazil will ship less than 20,000 MT through the end of this year. The potential for next year is 50,000 to 55,000 MT but it will depend on the ability to meet USDA requirements and pricing for grinding beef in the US.

### US Domestic Prices

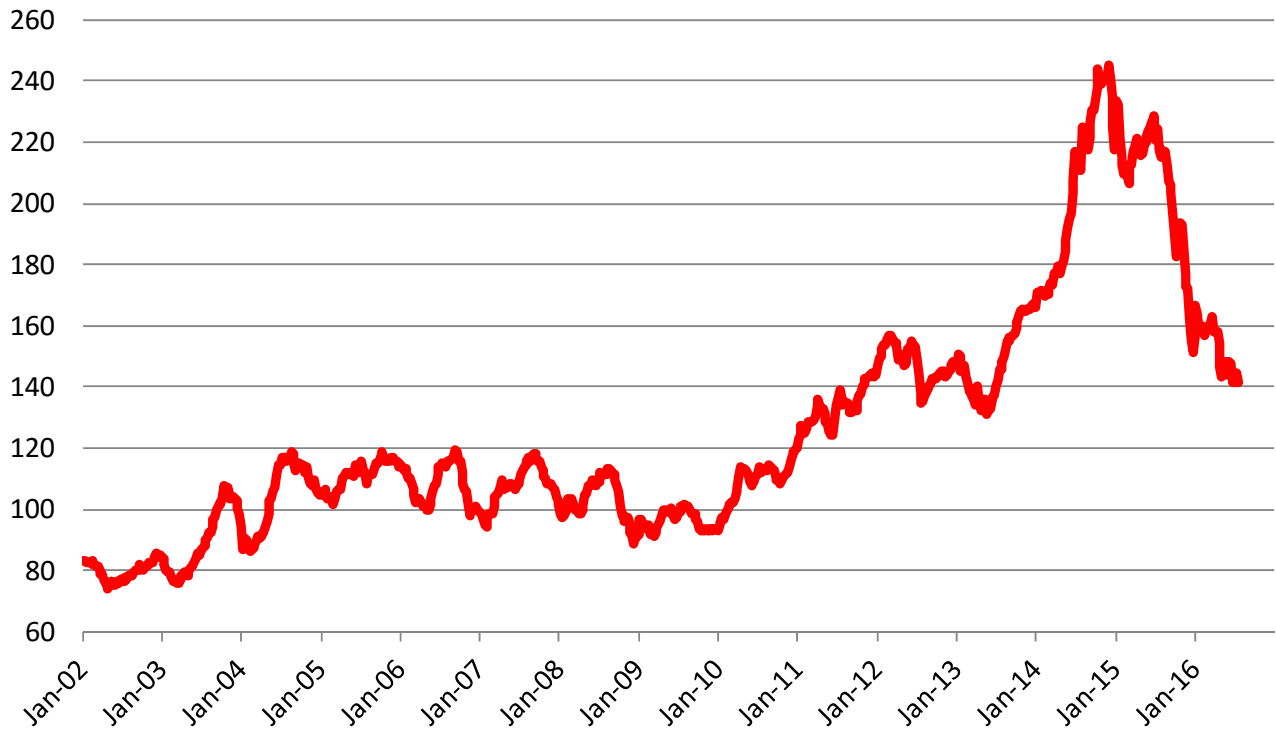
Prices for 90CL boneless beef were quoted at 219 US cents on the top side, 1 cent higher than a week ago but 85 cents lower than year ago levels. However, the weighted average price tonight was quoted at 214 cents per pound, down 2 cents from a week ago. 85CL beef trim prices on the top side were quoted tonight at 191 cents, 5.5 cent lower than last week and 67 cents lower than last year. 50CL beef price was 98 cents on the high side, 3 cent higher than a week ago and 28 cents higher than the same week last year. Retail ground beef features continue to support fat trim prices. Prices for pork trim once again posted big increases this week. Prices of fat pork trim are up 7 cents from last week while lean pork trim is up 27 cents.

# 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
	19-Jul-16	12-Jul-16		21-Jul-15	
CME FEEDER CATTLE INDEX	141.28	144.72	-2.4%	217.14	-34.9%
	20-Jul-16	13-Jul-16		22-Jul-15	
FED STEER (5-MKT AVG)	116.91	119.87	-2.5%	147.96	-21.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	134.50	142.50	-5.6%	197.50	-31.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	139.00	138.00	0.7%	191.50	-27.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	125.00	128.00	-2.3%	191.00	-34.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	171.52	172.79	-0.7%	223.78	-23.4%

## 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
	20-Jul-16		13-Jul-16			22-Jul-15		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	227.0	229.0	223.0	225.0	4.0	256.0	259.0	-30.0
<b>90 CL Blended Cow</b>	209.0	212.0	206.0	207.0	5.0	234.0	236.0	-24.0
<b>90 CL Shank</b>	209.0	210.0	203.0	205.0	5.0	230.0	231.0	-21.0
<b>85 CL Fores</b>	189.0	192.0	186.0	187.0	5.0	205.0	208.0	-16.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	227.0	228.0	222.0	223.0	5.0	255.0	257.0	-29.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	190.0	190.0	185.0	186.0	4.0	204.0	206.0	-16.0
<b>80 CL Trimmings</b>	169.0	170.0	168.0	169.0	1.0	172.0	174.0	-4.0
<b>75 CL Trimmings</b>	158.0	161.0	154.0	155.0	6.0	141.0	142.0	19.0
<b>65 CL Trimmings</b>	101.0	102.0	101.0	102.0	0.0	97.0	98.0	4.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	280.0	290.0	285.0	295.0	-5.0	320.0	325.0	-35.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	210.0	215.0	210.0	215.0	0.0	275.0	280.0	-65.0
<b>Steer Knuckles</b>	225.0	230.0	225.0	230.0	0.0	280.0	290.0	-60.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	20-Jul-16	23-Jul-16	13-Jul-16	16-Jul-16		22-Jul-15	29-Jul-15	
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
95 CL Bull, E. Coast	234.0	235.0	230.0	232.0	3.0	263.0	264.0	-29.0
90 CL Blended Cow	216.0	218.0	214.0	215.0	3.0	242.0	244.0	-26.0
90 CL Shank	213.0	214.0	212.0	213.0	1.0	236.0	238.0	-24.0
85 CL Fores	196.0	198.0	194.0	195.0	3.0	213.0	215.0	-17.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	232.0	233.0	229.0	232.0	1.0	261.0	262.0	-29.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
85 CL Trimmings	196.0	197.0	193.0	194.0	3.0	212.0	213.0	-16.0
80 CL Trimmings	176.0	177.0	177.0	178.0	-1.0	178.0	180.0	-3.0
75 CL Trimmings	166.0	167.0	164.0	165.0	2.0	148.0	149.0	18.0
65 CL Trimmings	112.0	114.0	108.0	109.0	5.0	107.0	108.0	6.0
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
Cap Off Steer Insides	290.0	300.0	300.0	305.0	-5.0	325.0	330.0	-30.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	230.0	235.0	230.0	235.0	0.0	290.0	295.0	-60.0
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	300.0	305.0	-60.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	20-Jul-16		13-Jul-16			22-Jul-15		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	201.31		205.19		-3.9	232.92		-31.6
Select Cutout	191.01		195.51		-4.5	228.35		-37.3
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	209.6	219.3	215.0	218.0	1.3	277.0	294.1	-74.8
85 CL Beef Trimmings	187.0	191.0	192.0	196.5	-5.5	247.0	258.5	-67.5
50 CL Beef Trim	86.0	98.0	87.0	95.0	3.0	59.0	70.0	28.0
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	44.0	54.0	36.0	50.3	3.8	33.0	47.0	7.0
72 CL Pork Trim	77.0	115.8	77.4	97.3	18.5	61.1	88.3	27.5
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	243.7		242.2		1.5	326.8		-83.1
50 CL Beef Trimming	196.0		190.0		6.0	140.0		56.0
42 CL Pork Trim	128.6		119.6		8.9	111.9		16.7
72 CL Pork Trim	160.8		135.1		25.7	122.6		38.2
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	116.91		119.87		-3.0	147.96		-31.1

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week	Week		Last Year	Last Year
	<b>20-Jul-16</b>	<b>13-Jul-16</b>			<b>22-Jul-15</b>		
<b><u>Live Cattle Futures</u></b>							
August '16	109.425	111.450	↓	-2.03	144.225	↓	-34.80
October '16	108.075	110.350	↓	-2.27	146.075	↓	-38.00
December '16	109.800	112.150	↓	-2.35	148.450	↓	-38.65
February '17	110.075	112.125	↓	-2.05	148.925	↓	-38.85
<b><u>Feeder Cattle Futures</u></b>							
August '16	138.625	139.275	↓	-0.65	212.425	↓	-73.80
September '16	137.575	138.525	↓	-0.95	210.675	↓	-73.10
October '16	136.425	137.700	↓	-1.27	208.700	↓	-72.28
November '16	133.700	135.250	↓	-1.55	208.700	↓	-75.00
<b><u>Corn Futures</u></b>							
Jul 16	337 1/2	365 3/4	↓	-28.25	402 3/4	↓	-65.25
September 16	344 1/4	362	↓	-17.75	413 1/2	↓	-69.25
December 16	353 1/4	369 3/4	↓	-16.50	423 1/2	↓	-70.25
March 17	359	377 1/4	↓	-18.25	429 1/4	↓	-70.25
<b><u>Ch Wheat Futures</u></b>							
Jul 16	413	426 1/4	↓	-13.25	516 3/4	↓	-103.75
September 16	436	439 3/4	↓	-3.75	524 1/2	↓	-88.50
December 16	459	463	↓	-4.00	531 3/4	↓	-72.75
March 17	472 1/2	482	↓	-9.50	536 1/2	↓	-64.00

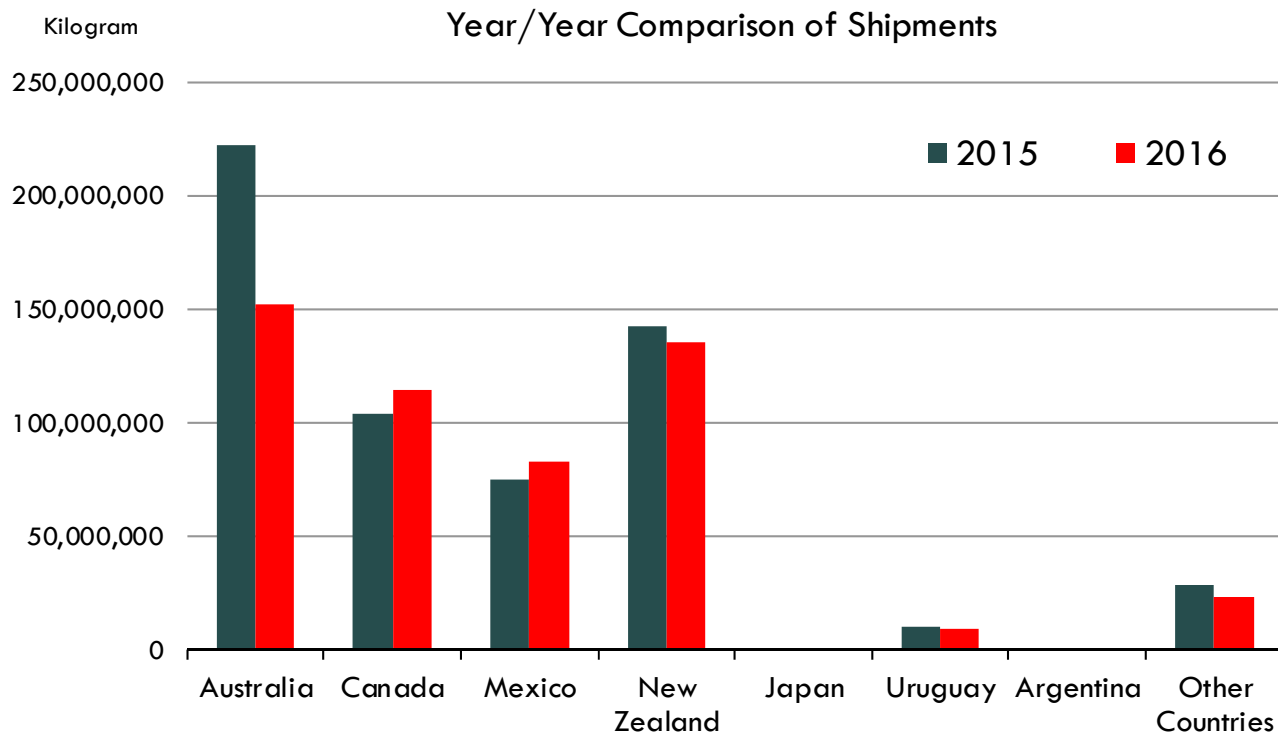
Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	<b>20-Jul-16</b>	<b>13-Jul-16</b>			<b>22-Jul-15</b>		
<b><u>Total Cattle Slaughter</u></b>	594,000	634,000	↓	-40,000	540,000	↑	54,000
	<b>2-Jul-16</b>	<b>25-Jun-16</b>			<b>4-Jul-15</b>		
<b><u>Total Cow Slaughter</u></b>	101,879	97,003	↑	4,876	85,900	↑	15,979
<b><u>Dairy Cow Slaughter</u></b>	51,216	48,974	↑	2,242	48,300	↑	2,916
<b><u>Beef Cow Slaughter</u></b>	50,663	48,029	↑	2,634	37,600	↑	13,063



## TABLE 6 - US BEEF IMPORTS, IN-QUOTA ENTRIES (Source: US Customs Bureau)

Amount YTD in Kilograms as of July 18, 2016

Country	7/20/2015	7/18/2016	% Change	Quota Levels 2016	% Filled Year to Date
Australia	221,597,965	152,165,944	-31%	418,214,000	36.4%
Canada	104,208,975	114,102,056	9%	N/A	
Mexico	74,885,673	83,188,732	11%	N/A	
New Zealand	142,436,566	135,245,146	-5%	213,402,000	63.4%
Japan	83,000	100,535	0%	200,000	50.3%
Uruguay	10,002,947	9,405,769	-6%	20,000,000	47.0%
Argentina	0	0		20,000,000	0.0%
Other Countries	28,364,012	23,104,098	-19%	64,805,000	35.7%
Total	581,579,138	517,312,280	-11%		



# Australian Beef Quota Position

18-Jul-16

Metric Ton. Australian Department of Agriculture Statistics

