



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- Imported beef prices rebound on firm domestic prices
- Price of 90CL now at 230/cwt as end users continue to struggle to find supplies
- Reports of business over Memorial Day were mixed, with some market participants noting the impact of cold/wet weather in some heavily populated areas along the US East Coast
- Australian offers remain firm while New Zealand offers appear to slow down as packers there consider the seasonal slowdown in slaughter and sharp reduction in availability
- Gap between food cost inflation at foodservice and retail continues to widen

Imported Market Activity for the Week

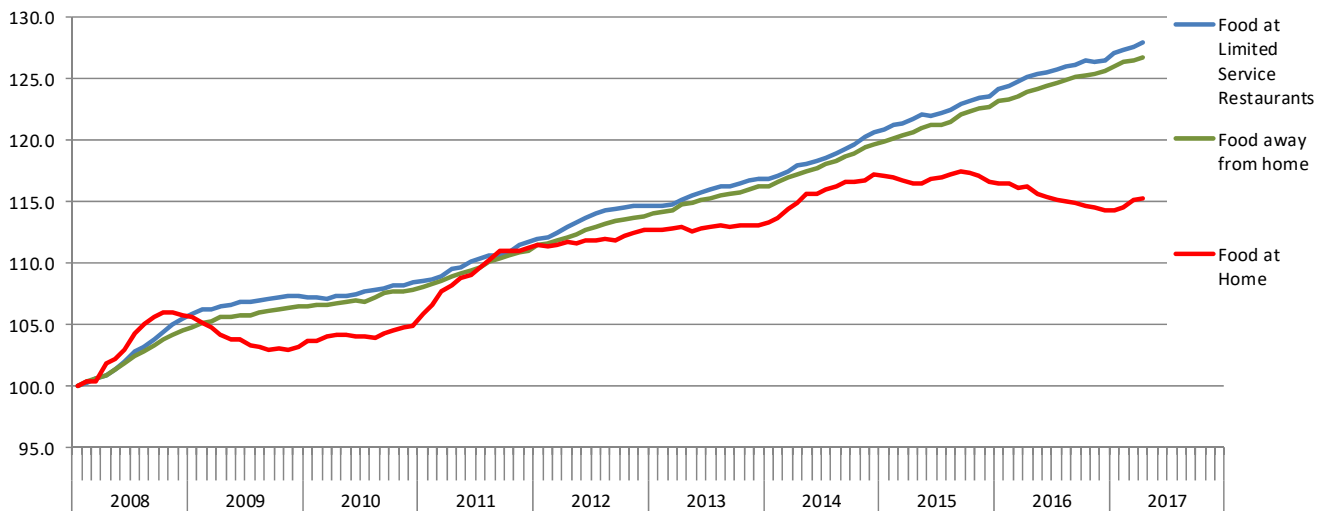
Prices for imported lean grinding beef rebounded this week as end users come to grips with high prices for domestic beef and looked to cover some of their summer needs.

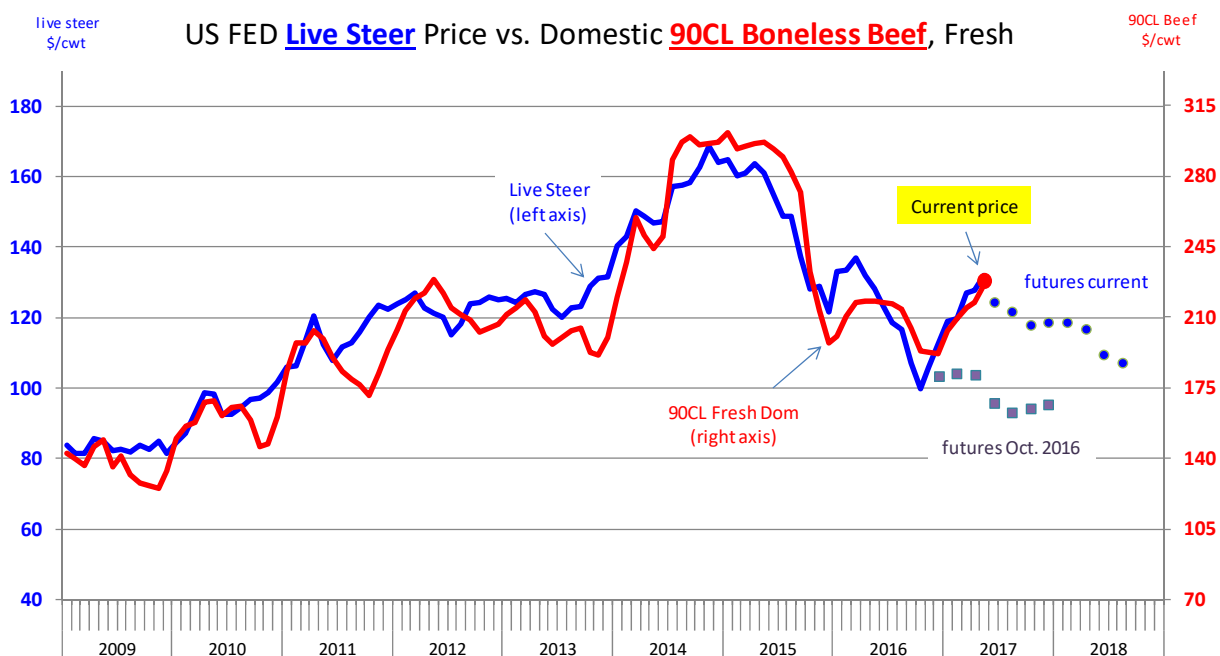
Prices for some of the lean grinds, which last week were reported to us as much as 5 cents lower, once again were higher. This could be because some of the information provided last week understated the market or if some users were able to buy product lower but could no longer cover those levels and had to pay up to secure product. There continues to be a

spread between New Zealand and Australian product but it is that time of year when offerings of New Zealand product for delivery in July and August decline sharply. Australian offerings remain very firm despite a recent increase in slaughter there. Demand in Asian markets remains firm and the weaker US dollar has offset some of the price gains in recent weeks. Largely, however, the imported grinding beef market has followed domestic prices. While there is a lot of speculation about the direction of US beef prices in the summer, so far end users have found themselves woefully short. Part of the challenge for users is the reality that domestic cow

Food CPI Comparisons. Jan 2008 = 100

Source: BLS. Analysis by Steiner.





slaughter will likely drift lower into the summer. Pasture conditions so far are great and higher calf prices mean producers will hold on to a few more marginal cows than before. New Zealand and Uruguayan slaughter seasonally decline in July, Aug and September, leaving Australia as the main supplier of grinding beef into the US. Brazil has been shipping a bit more product but still remains a marginal player, especially following the meat scandal in late March and early April. This may change over time but for the moment Australian packers have been able to get near offer prices.

The chart above is one that we have shown often and decided to update after the higher close for fed cattle futures. Prices for fed cattle in the spot market are around \$132/cwt, which is in line with the current price paid for lean grinding beef. As we have noted before, over the long run there is a very strong correlation between fed cattle prices and the price of domestic lean beef in the US. Fed cattle futures imply that lean beef could trade in a 200-210 range by the end of the year but that assumes that the relationship will be perfect and that is rarely the case. As you can see from previous years, the spread widens towards the end of the year as more cows show up in the market and demand for grinding beef slows down. This was not the case last year as we saw a very sharp selloff in fed cattle, something we do not think will be repeated again this year. So it is possible that we could see lean beef trade closer to the \$200 area in September and October. Much will depend on the level of beef demand going into the summer and early fall. Feedlots have significantly increased placements in the last two months and more

cattle will be available for marketing in August and September. However, robust demand could keep front end supplies current, limit carcass weight increases and thus pave the way for still very robust prices later in the year. This is not what the futures are trading. October fed cattle futures currently are priced at \$118/cwt, a 10% discount to the current market.

Chart of the week

We recently noted an article in the Wall Street Journal that pointed to the slowdown in foot traffic at hamburger restaurants in the US (link: [Diners Are Finding \\$13 Burgers Hard to Swallow](#)). The point of the article is that as hamburger joints look to spiffy up their menus and offer fancier ingredients to differentiate themselves, they also have started to price themselves out of the reach of many US consumers. It used to be that consumers would replace some of the meals by going to fast food because it offered a way to save time but also because it was competitive with the cost of meals they could fix at home. But with fast food costs moving higher, more consumers are finding that they can get much cheaper meals cooking at home. The chart on page 1 shows the consumer price index for food consumed at home (grocery prices) relative to the cost of food consumed away from home (restaurant prices). We also added one more layer by including cost inflation at fast food restaurants. The results speak for themselves. Inflation at fast food restaurants has outpaced inflation for the entire category. And while costs at foodservice have continued to increase, cost at the grocery store have been steady to lower. As a result, an ever wider cost gap has developed. We think a big reason for the divergence in costs also has to do with

increasing labor cost pressures in the foodservice industry. Also, the low interest environment has encouraged more people to open new concepts. This has contributed to the decline in foot traffic at traditional chains, leading them to invest significant sums in upgrading restaurant décor and menus. We think this is important from a macro perspective for importers looking to ship beef to the US because largely this product is going into foodservice, especially fast food establishments. It is possible that some of the same concepts that now are struggling to retain customers will discover that they need to return to the value proposition that made them so successful in the first place.

In the News

There was some discussion in the market this week about news that India could implement new rules about slaughtering cattle. Much of the speculation in the US revolves about the possibility that there may be increased competition for Australian beef if Indian beef exports decline. While the issue certainly has the potential to be a market moving event, it is unlikely there will be much of an impact in the short term. We think the Indian government has some formidable legal battles ahead and past experience has shown that the Indian Supreme Court tends to rule in favor of state rights. This is necessary to maintain social cohesion. Already there are rumors that the government will soften its stance. So far now we will need to monitor the situation but do not see this as something that will start to impact the market tomorrow.

US Domestic Price Summary

Prices for 90CL boneless beef were quoted at 233 US cents on the top side, 4 cent higher than a week ago and 12 cents higher than year ago levels. **The weighted average price tonight was quoted at 230, however, 3 cents higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 202 cents, 3 cents lower than last week but still 7 cents higher than last year. The weighted average price for 85CL beef was 202 cents a pound, 1 cent higher than a week ago. 50CL beef price was 182 cents on the high side, 5 cents lower than a week ago but still 112 cent higher than last year. On a weighted average basis, the price of 50CL beef is now 167 cents, about 12 cents lower than last week

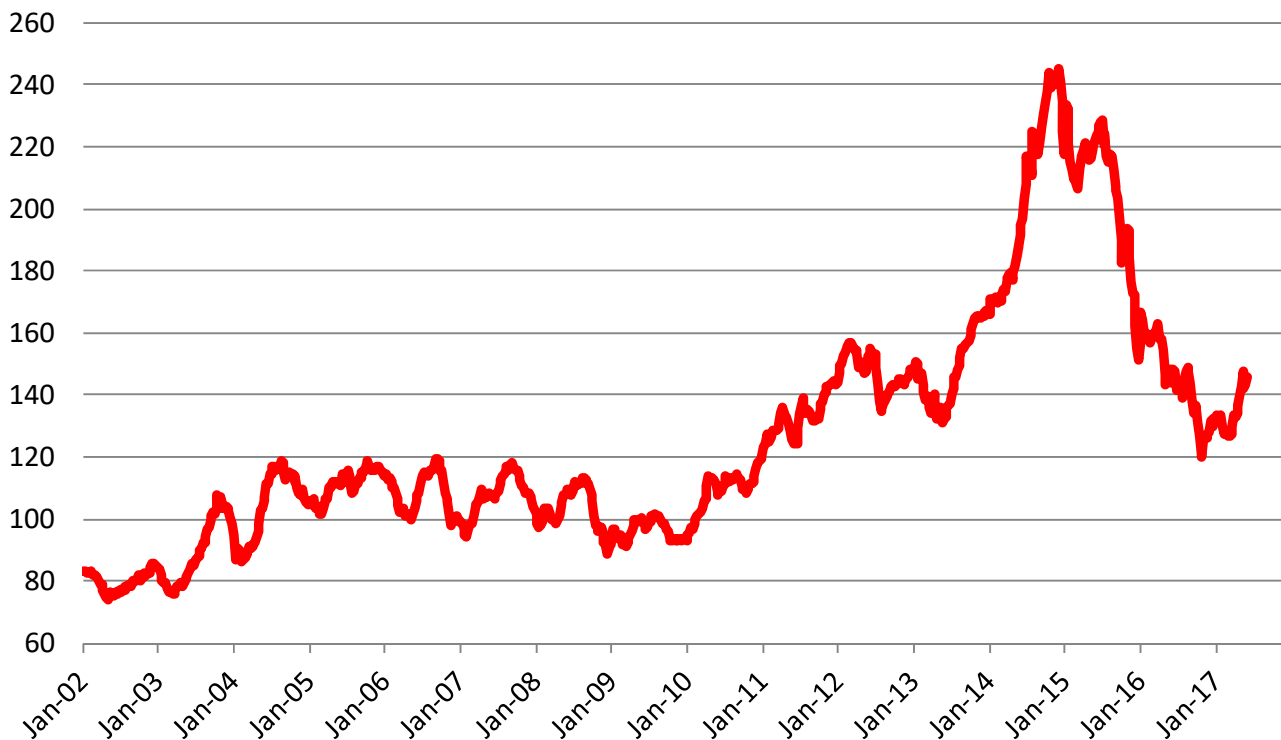
Prices for 42CL pork trim were mixed compared to a week ago. The price of 72CL trim has gained ground in recent weeks thanks in part to the sharp spike in 50CL beef, providing end users with an opportunity to lower costs by substituting pork trim for beef when possible.

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
	30-May-17	23-May-17		31-May-16	
CME FEEDER CATTLE INDEX	145.53	143.40	1.5%	143.93	1.1%
	31-May-17	24-May-17		1-Jun-16	
FED STEER (5-MKT AVG)	131.56	134.25	-2.0%	124.98	5.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	122.50	125.50	-2.4%	140.00	-12.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	126.50	128.50	-1.6%	134.50	-5.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	116.00	117.50	-1.3%	128.00	-9.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	179.29	176.16	1.8%	172.89	3.7%

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
	31-May-17		24-May-17			1-Jun-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	238.0	240.0	233.0	234.0	6.0	213.0	215.0	25.0
90 CL Blended Cow	217.0	219.0	214.0	215.0	4.0	194.0	196.0	23.0
90 CL Shank	213.0	215.0	213.0	215.0	0.0	194.0	195.0	20.0
85 CL Fores	201.0	202.0	198.0	200.0	2.0	178.0	180.0	22.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	237.0	239.0	232.0	233.0	6.0	212.0	213.0	26.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	199.0	200.0	198.0	199.0	1.0	177.0	178.0	22.0
80 CL Trimmings		185.0	184.0	185.0	0.0	154.0	156.0	29.0
75 CL Trimmings	174.0	175.0		UNQ	N/A		UNQ	N/A
65 CL Trimmings	134.0	137.0	135.0	140.0	-3.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	270.0	290.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	210.0	215.0	N/A
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	230.0	235.0	20.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	31-May-17	24-May-17	31-May-17	24-May-17		1-Jun-16	1-Jun-16	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	243.0	245.0	240.0	244.0	1.0	223.0	224.0	21.0
90 CL Blended Cow	226.0	227.0	223.0	224.0	3.0	203.0	204.0	23.0
90 CL Shank	220.0	223.0	221.0	224.0	-1.0	203.0	203.0	20.0
85 CL Fores	212.0	214.0	209.0	211.0	3.0	184.0	185.0	29.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	245.0	246.0	241.0	244.0	2.0	221.0	222.0	24.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	211.0	212.0	209.0	210.0	2.0	183.0	184.0	28.0
80 CL Trimmings	193.0	194.0	192.0	193.0	1.0	163.0	164.0	30.0
75 CL Trimmings	179.0	181.0	176.0	177.0	4.0	137.0	139.0	42.0
65 CL Trimmings	147.0	148.0	147.0	148.0	0.0	96.0	96.0	52.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	288.0	290.0	285.0	290.0	0.0	280.0	300.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	230.0	N/A
Steer Knuckles	255.0	260.0	255.0	260.0	0.0	240.0	245.0	15.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	31-May-17		24-May-17			1-Jun-16		
<u>Domestic Cutouts</u>								
Choice Cutout	245.54		246.08		-0.5	222.35		23.2
Select Cutout	218.18		219.60		-1.4	201.17		17.0
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	228.0	233.0	224.0	229.0	4.0	216.0	221.0	12.0
85 CL Beef Trimmings	200.0	202.0	198.0	205.0	-3.0	191.0	195.0	7.0
50 CL Beef Trim	158.0	181.9	173.0	187.0	-5.1	61.0	70.0	111.9
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	44.0	53.3	41.2	51.3	2.0	40.5	49.6	3.6
72 CL Pork Trim	79.0	88.0	77.0	95.5	-7.5	64.0	81.3	6.7
<u>Point of Lean Values</u>								
90 CL Domestic	258.9		254.4		4.4	245.6		13.3
50 CL Beef Trimming	363.8		374.0		-10.2	140.0		223.8
42 CL Pork Trim	126.8		122.0		4.8	118.2		8.6
72 CL Pork Trim	122.2		132.6		-10.4	112.8		9.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	131.56		134.25		-2.7	124.98		6.6

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
	31-May-17	24-May-17			1-Jun-16		
<u>Live Cattle Futures</u>							
June '17	124.425	122.450	↑	1.97	121.425	↑	3.00
August '17	121.700	118.825	↑	2.88	117.450	↑	4.25
October '17	118.150	115.575	↑	2.58	116.950	↑	1.20
December '17	118.900	116.325	↑	2.58	116.925	↑	1.98
<u>Feeder Cattle Futures</u>							
August '17	152.575	147.725	↑	4.85	146.425	↑	6.15
September '17	151.825	147.875	↑	3.95	144.850	↑	6.97
October '17	150.150	146.750	↑	3.40	143.300	↑	6.85
November '17	148.125		↑	148.13	143.300	↑	4.82
<u>Corn Futures</u>							
July '17	372	379 1/4	↓	-7.25	413 3/4	↓	-41.75
September '17	380	389	↓	-9.00	415	↓	-35.00
December '17	391	398 1/2	↓	-7.50	416 1/4	↓	-25.25
March '18	401		↑	401.00	423	↓	-22.00
<u>Ch Wheat Futures</u>							
July '17	429 1/4	440 1/4	↓	-11.00	473 3/4	↓	-44.50
September '17	443 3/4	461 3/4	↓	-18.00	485	↓	-41.25
December '17	466 1/2	479 1/2	↓	-13.00	503	↓	-36.50
March '18	484		↑	484.00	520 1/2	↓	-36.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	31-May-17	24-May-17			1-Jun-16		
Total Cattle Slaughter	503,000	604,000	↓	-101,000	482,000	↑	21,000
	13-May-17	6-May-17			14-May-16		
Total Cow Slaughter	108,036	107,206	↑	830	100,800	↑	7,236
Dairy Cow Slaughter	55,409	54,921	↑	488	50,200	↑	5,209
Beef Cow Slaughter	52,627	52,285	↑	342	50,600	↑	2,027

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

YTD Imported Meat Passed for Entry in the US

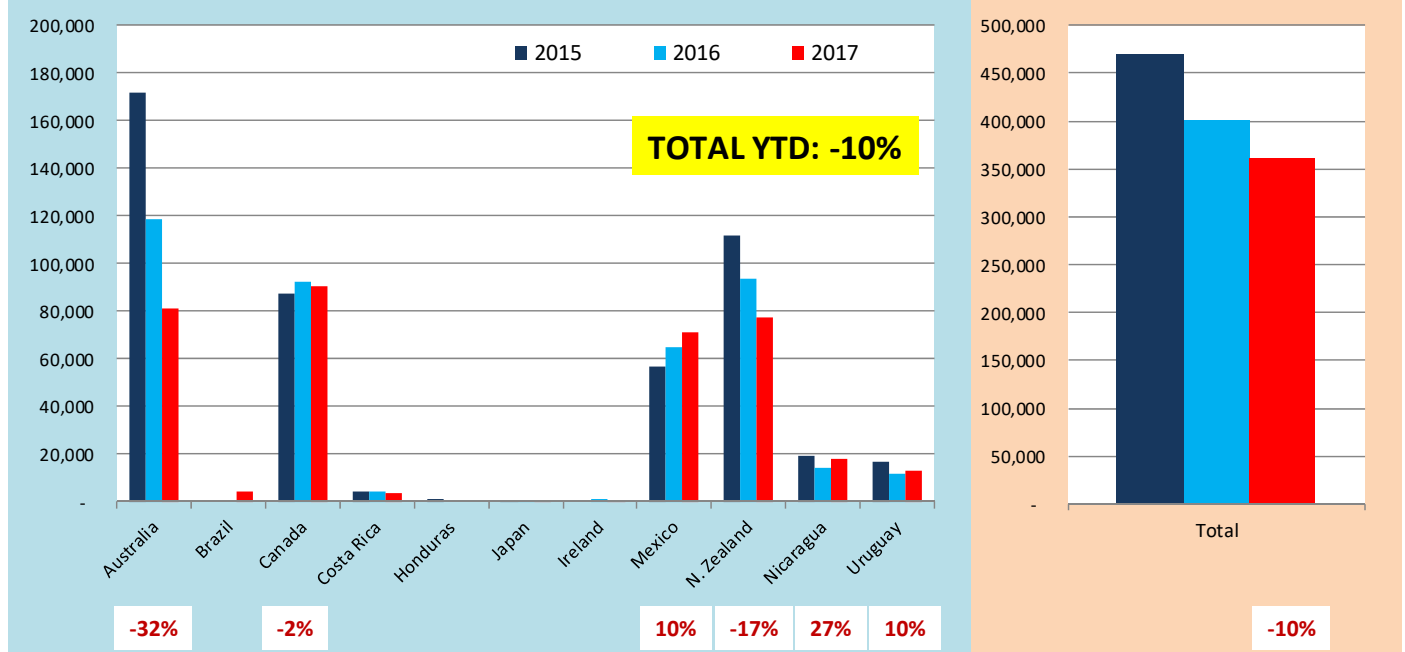
week 17	5/14/2016	5/20/2017		
Australia	118,681	80,987	(37,694)	-31.8%
Brazil		4,221		
Canada	92,711	90,757	(1,954)	-2.1%
Chile	163	180	17	10.4%
Costa Rica	4,067	3,653	(414)	-10.2%
Honduras			-	
Japan	80	135	55	68.8%
Ireland	1,093	695	(398)	-36.4%
Mexico	64,697	71,075	6,378	9.9%
New Zealand	93,533	77,521	(16,012)	-17.1%
Nicaragua	14,344	18,252	3,908	27.2%
Uruguay	12,096	13,337	1,241	10.3%
Total	401,466	360,921	(40,545)	-10.1%

Source: USDA/FSIS

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

Imports as of May 20, 2017

Individual Country Volume. MT & Y/Y % Ch.

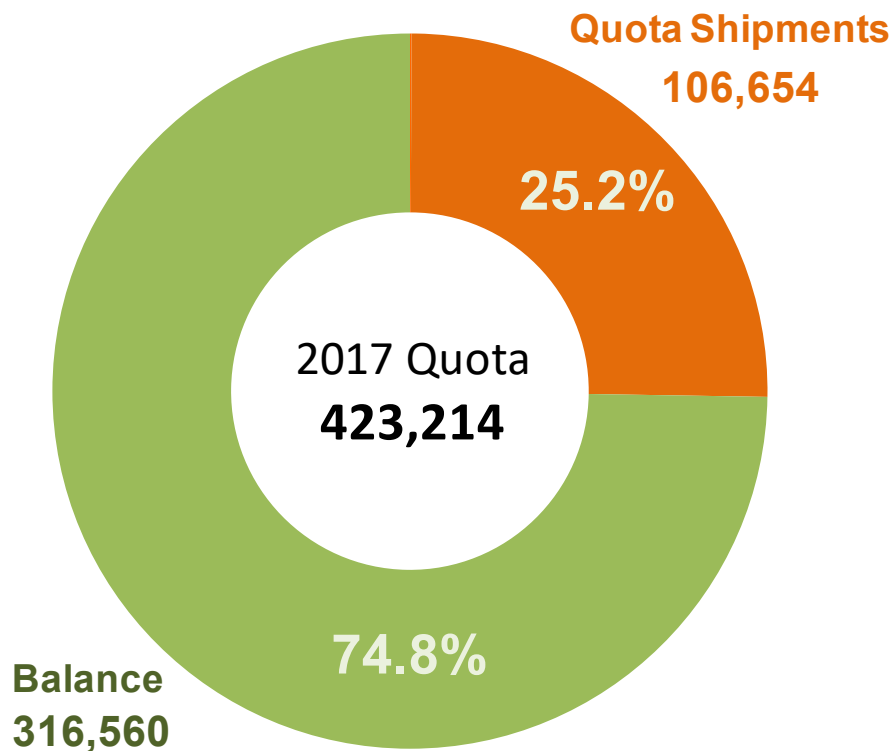


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

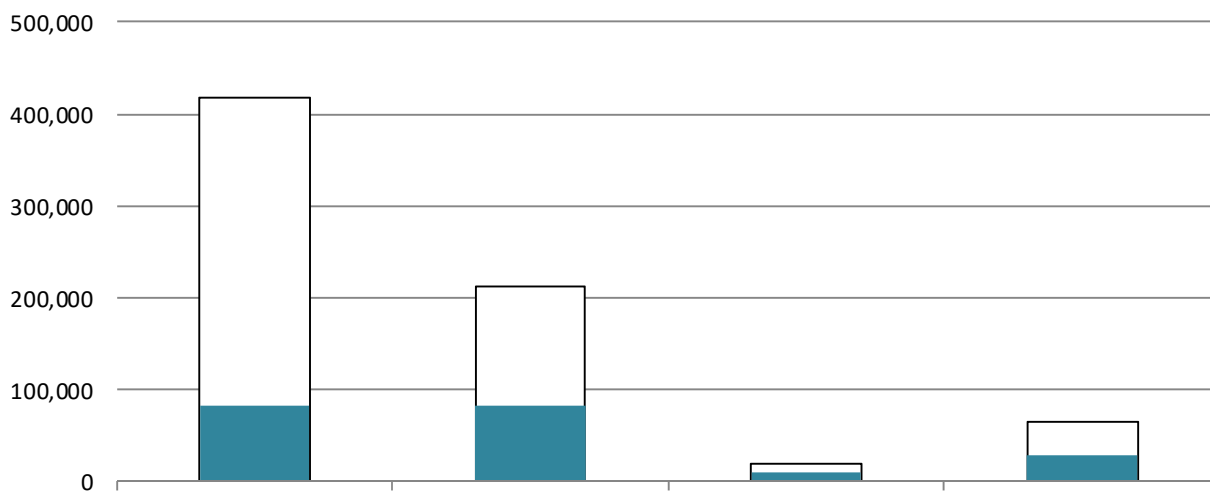
29-May-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending May 29

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	112,971,513	95,311,316	6,466,210	18,173,028
2017 YTD	82,009,700	83,178,753	9,491,257	29,851,453
% ch.	-27%	-13%	47%	64%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	20%	39%	47%	46%