



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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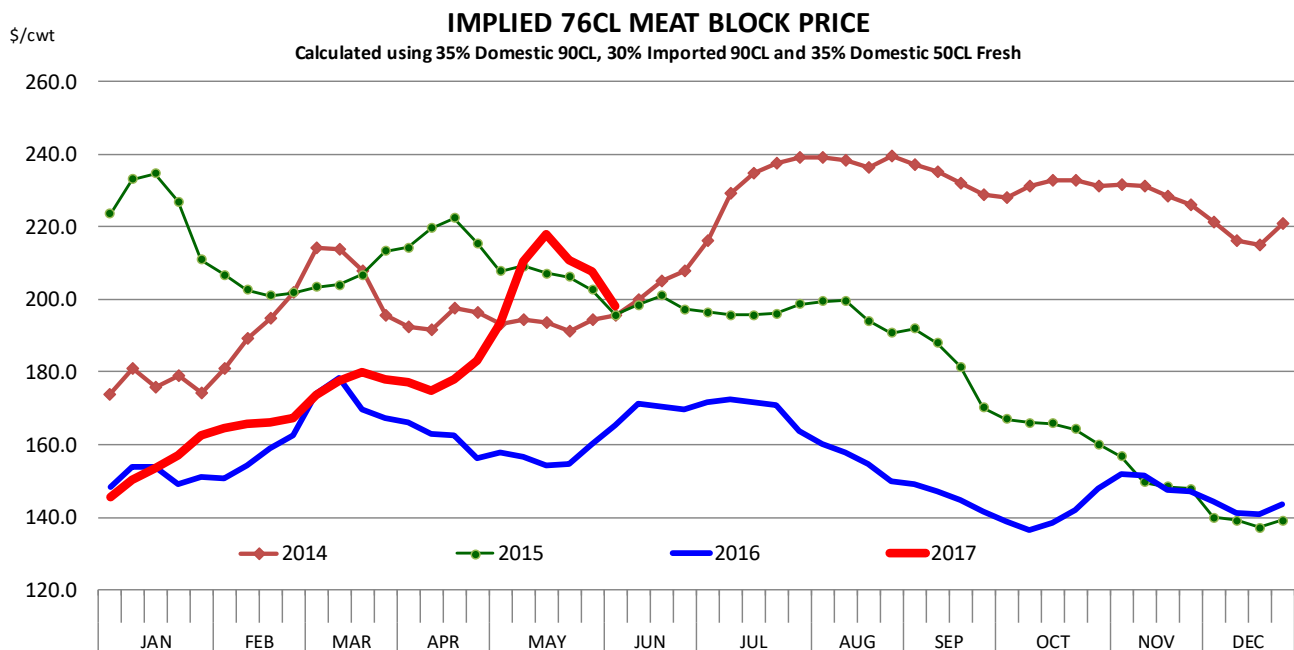
Market Highlights for the Week:

- Imported beef prices steady to higher this week on firm prices for domestic lean grinding beef
- Cow and bull slaughter this week expected at 118k head, 7% higher than last year but down from 124k in early May
- Australian beef exports to the US in May rebounded from low April levels but still 21% less than last year
- 50CL pries finally come back to earth but at \$140/cwt they are still 80% higher than the same time last year
- Rebound in the value of the Australian dollar negating some of the gains in imported beef values this week

Imported Market Activity for the Week

Prices for imported lean grinding beef were steady to higher this week as spot availability remains particularly limited. As we noted last week, market participants have to contend with the seasonal decline in supplies from New Zealand and still relatively limited supplies coming from Brazil. US domestic cow meat supplies also tend to be somewhat limited during this time of year and pasture conditions across much of the US are currently

in very good shape. Fed cattle and calf values are some of the highest they have been in the last two years and this has provided the cow-calf operator with a more positive profit outlook for the next year. Finally, prices for US fed beef continued to escalate after the Memorial Day business and feedlots are well sold for nearby cattle and in no rush to push more cattle to market. In this context, demand for imported lean and extra lean grinding beef remains quite robust. But even as prices are substantially higher than they were a year ago, lower prices for fat



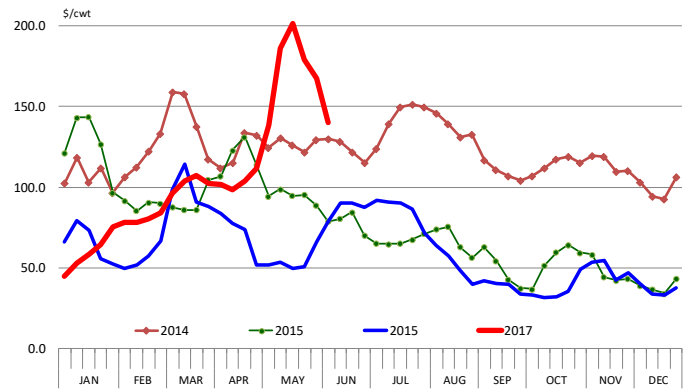
beef trimmings have helped reduce the overall cost of the calculated 76CL meat block. At this point the most challenging issue for US end users is menu planning for the next 6 to 12 months. Current prices are similar to the price levels we saw in 2014 and 2015 so it is not a price point that is terribly out of line with recent history. However, current prices are probably 30-40% higher than what was expected and thus planned budgets are severely strained. The extreme volatility will likely cause end users to become much more conservative in their budgets for the next 12 months and this could take its toll on demand for grinding beef materials, be this from domestic or imported sources. The effect may not be immediate. It takes time for the higher prices to filter through. But as was the case in 2016, the lag could pose problems for grinding beef values in 2018. The potential price increases could come at a time when domestic cow supplies continue to increase and we see higher availability from both Oceania and South America.

Fat trim market starts to normalize

We are still far from a normalized market for fat beef trimmings but the tone in the market has changed considerably. The lower prices were expected as \$200/cwt for 50CL trim simply is not sustainable in the long run. That all time record price reflected extreme shortages and end users that were forced to pay those levels in order to cover orders. Ground beef sales slow down after Memorial Day and this has freed up some product, evidenced in the sharp increase in volume traded in the negotiated market. In the last two days, the daily volume of 50CL beef traded on a negotiated basis has been almost 1 million pounds per day compared to under 400k pounds per day average in May. Are we going to see even lower prices for the remainder of the month? Much will depend on the kind of ads that retailers have planned for Father's Day (June 18) and 4th of July. Fat beef trim availability still is somewhat limited given the year/year decline in steer weights. So even as prices for fat trim have eased, it may be too early to conclude that this market will head even lower in the next two weeks. Some end users that were sitting on the sidelines are looking to pick their spot to enter the market and cover their needs. In the very near term the market for fat trim likely will remain quite volatile. The most challenging issue for market participants is the level of beef demand at retail in July and August. Traditionally those have been two months when beef demand tends to slow down. However, retailers also recognize that they have few good options to maintain dollar sales and beef features have been very popular. It will be difficult for them to continue to feature steak cuts as prices for items like boneless ribeyes now are at all time record lev-

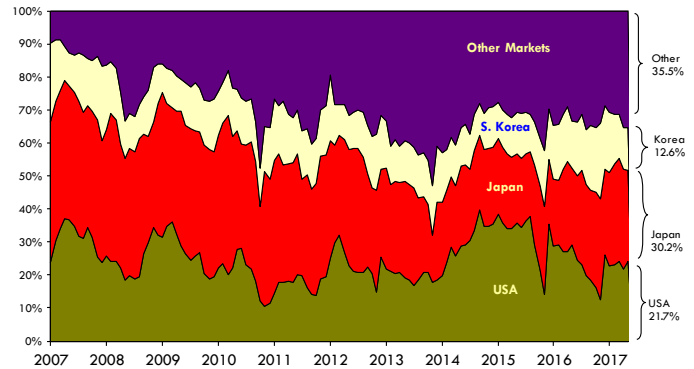
50CL FRESH BEEF TRIMMINGS, USDA, WT. AVG. PRICE

Source: USDA Mandatory Price Reporting System



Share of Australian Beef Exports To Major Markets Since 2006

Shipments to Top Three Markets + "Other". Data from Monthly DAFF Export Statistics



USD per 1 AUD. Nearby Futures



els. We suspect there will be more features of less expensive cuts, chucks, rounds, ground beef. Also we have yet to see any major adjustments in the price of retail ground beef features. And unless retailers start raising ground beef prices, demand may continue to outpace expectations.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 231 US cents on the top side, 2 cent higher than a week ago and 13 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 216 cents, 14 cents higher than last week and 18 cents higher than last year. The weighted average price for 85CL beef was 207 cents a pound, 6 cents higher than a week ago. 50CL beef price was 165 cents on the high side, 17 cents lower than a week ago but still 84 cent higher than last year. On a weighted average basis, the price of 50CL beef is now 140 cents, about 39 cents lower than last week

Prices for 42CL pork trim were higher compared to a week ago. The price of 72CL trim has increased sharply 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
	6-Jun-17	30-May-17		7-Jun-16	
CME FEEDER CATTLE INDEX	152.81	145.53	5.0%	148.33	3.0%
	7-Jun-17	31-May-17		8-Jun-16	
FED STEER (5-MKT AVG)	136.07	131.56	3.4%	129.16	5.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	121.50	123.00	-1.2%	142.50	-14.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	129.00	126.50	2.0%	143.50	-10.1%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	117.00	116.00	0.9%	133.50	-12.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	179.46	179.29	0.1%	172.91	3.8%

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
	7-Jun-17		31-May-17			8-Jun-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	240.0	242.0	238.0	240.0	2.0	214.0	216.0	26.0
90 CL Blended Cow	220.0	222.0	217.0	219.0	3.0	198.0	200.0	22.0
90 CL Shank	213.0	214.0	213.0	215.0	-1.0	197.0	198.0	16.0
85 CL Fores	202.0	204.0	201.0	202.0	2.0	179.0	180.0	24.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	239.0	241.0	237.0	239.0	2.0	213.0	215.0	26.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	200.0	202.0	199.0	200.0	2.0	178.0	179.0	23.0
80 CL Trimmings	188.0	189.0		185.0	4.0	155.0	157.0	32.0
75 CL Trimmings	172.0	174.0	174.0	175.0	-1.0		UNQ	N/A
65 CL Trimmings	132.0	135.0	134.0	137.0	-2.0		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	255.0	265.0	250.0	255.0	10.0	230.0	235.0	30.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	7-Jun-17		31-May-17			8-Jun-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	247.0	249.0	243.0	245.0	4.0	223.0	225.0	24.0
90 CL Blended Cow	226.0	227.0	226.0	227.0	0.0	205.0	207.0	20.0
90 CL Shank	220.0	221.0	220.0	223.0	-2.0	204.0	205.0	16.0
85 CL Fores	213.0	214.0	212.0	214.0	0.0	184.0	186.0	28.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	246.0	247.0	245.0	246.0	1.0	222.0	224.0	23.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	212.0	213.0	211.0	212.0	1.0	184.0	185.0	28.0
80 CL Trimmings	193.0	194.0	193.0	194.0	0.0	164.0	165.0	29.0
75 CL Trimmings	180.0	181.0	179.0	181.0	0.0	137.0	140.0	41.0
65 CL Trimmings	144.0	146.0	147.0	148.0	-2.0	99.0	102.0	44.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	289.0	290.0	288.0	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	265.0	270.0	255.0	260.0	10.0	240.0	245.0	25.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	7-Jun-17		31-May-17			8-Jun-16		
<u>Domestic Cutouts</u>								
Choice Cutout	250.71		245.54		5.2	225.10		25.6
Select Cutout	219.90		218.18		1.7	200.55		19.4
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	228.0	231.0	228.0	233.0	-2.0	216.0	218.2	12.8
85 CL Beef Trimmings	199.0	216.2	200.0	202.0	14.2	191.0	198.0	18.2
50 CL Beef Trim	124.0	164.8	158.0	181.9	-17.2	76.0	81.1	83.6
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	46.8	56.3	44.0	53.3	3.0	37.5	48.6	7.6
72 CL Pork Trim	93.0	109.3	79.0	88.0	21.3	74.9	89.3	20.0
<u>Point of Lean Values</u>								
90 CL Domestic	256.7		258.9		-2.2	242.5		14.2
50 CL Beef Trimming	329.5		363.8		-34.3	162.3		167.2
42 CL Pork Trim	133.9		126.8		7.1	115.8		18.1
72 CL Pork Trim	151.7		122.2		29.5	124.0		27.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	136.07		131.56		4.5	129.16		6.9

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	7-Jun-17	31-May-17			8-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 Last Year
			Week	Week		
	7-Jun-17	31-May-17			8-Jun-16	
<u>Total Cattle Slaughter</u>	0	503,000	↓	-503,000	631,000	↓ -631,000
	20-May-17	13-May-17			21-May-16	
<u>Total Cow Slaughter</u>	0	108,036	↓	-108,036	99,700	↓ -99,700
<u>Dairy Cow Slaughter</u>	0	55,409	↓	-55,409	50,500	↓ -50,500
<u>Beef Cow Slaughter</u>	0	52,627	↓	-52,627	49,200	↓ -49,200

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

YTD Imported Meat Passed for Entry in the US

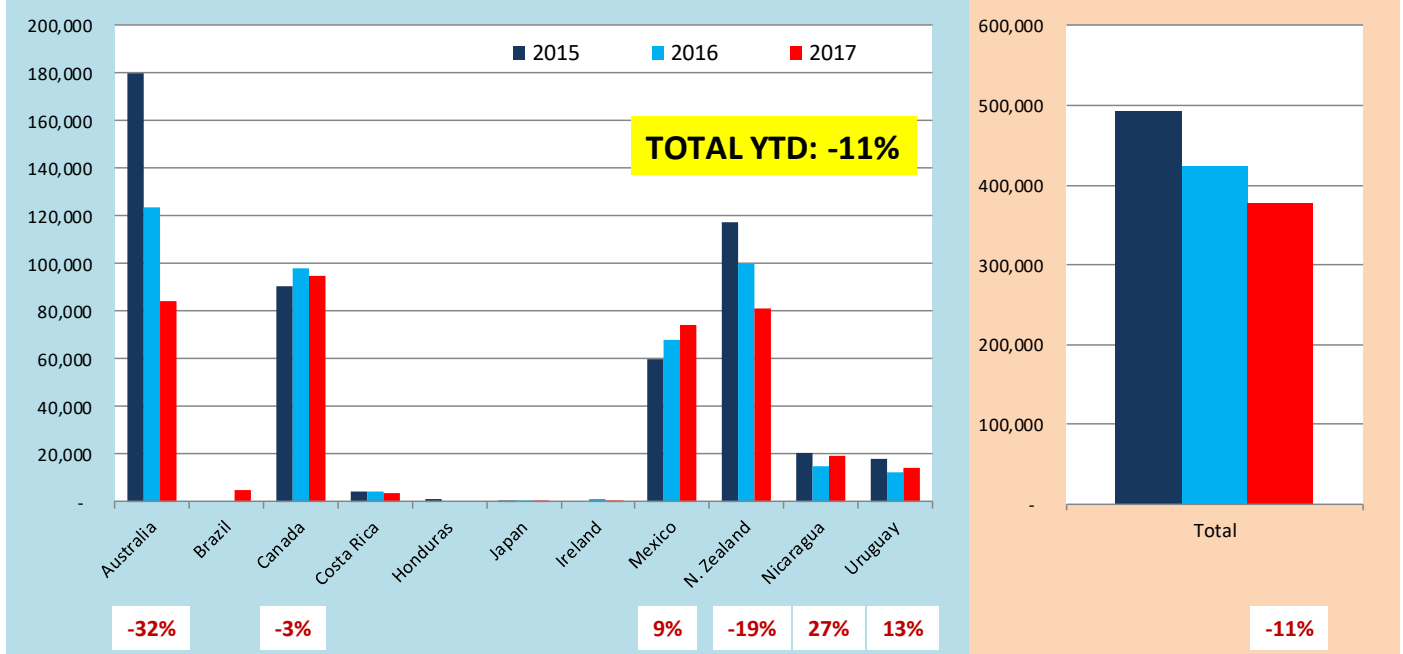
week 21	5/21/2016	5/27/2017		
Australia	123,911	84,549	(39,362)	-31.8%
Brazil		4,843		
Canada	98,000	94,865	(3,135)	-3.2%
Chile	163	180	17	10.4%
Costa Rica	4,286	3,694	(592)	-13.8%
Honduras			-	
Japan	87	149	62	71.3%
Ireland	1,187	695	(492)	-41.4%
Mexico	68,245	74,611	6,366	9.3%
New Zealand	99,907	81,041	(18,866)	-18.9%
Nicaragua	15,227	19,331	4,104	27.0%
Uruguay	12,750	14,427	1,677	13.2%
Total	423,763	378,501	(45,262)	-10.7%

Source: USDA/FSIS

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

Imports as of May 27, 2017

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

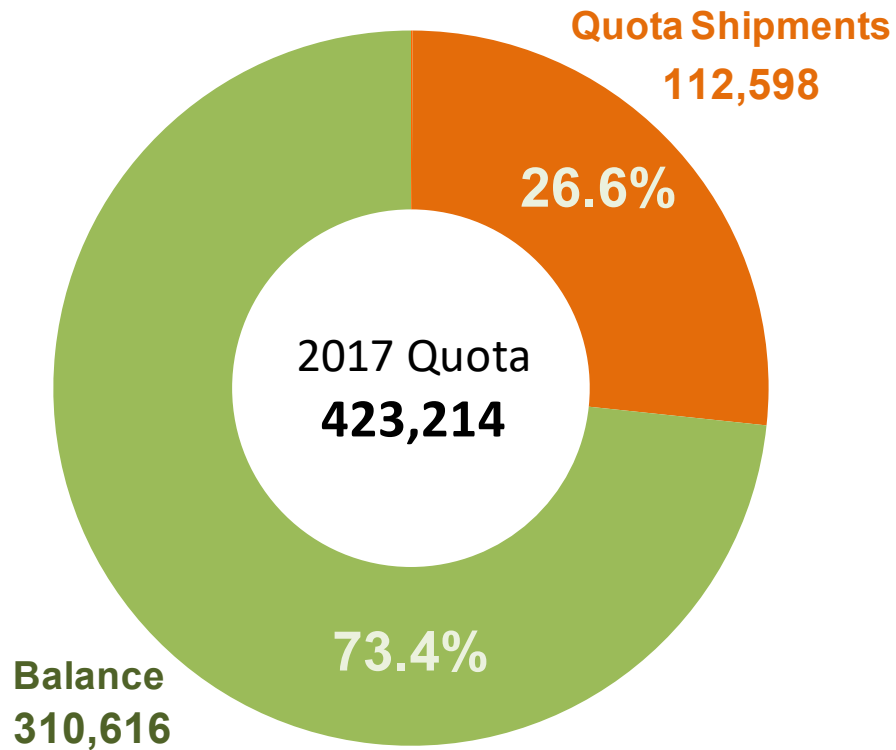


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

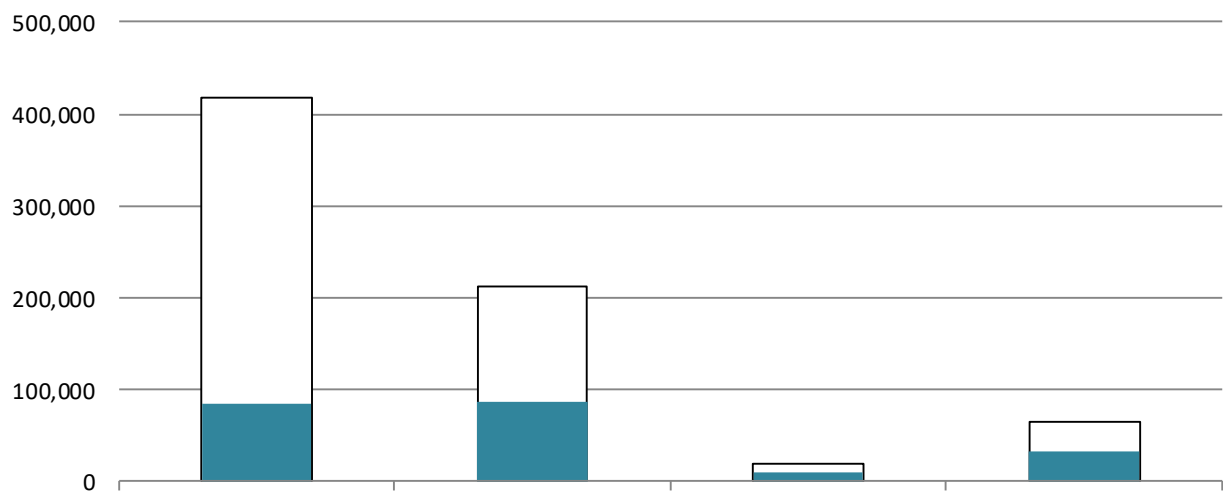
5-Jun-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 5

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	116,775,903	99,861,451	6,917,641	18,786,161
2017 YTD	84,942,065	86,753,498	10,502,638	32,068,210
% ch.	-27%	-13%	52%	71%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	20%	41%	53%	49%