



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 continue to hold firm this week on limited offerings from Australia and normal seasonal decline in New Zealand cow slaughter
- Prices for 90CL and 85CL product were particularly firm this week and spot supplies for these items remain very tight
- Current price of imported 90CL product up 5% from March levels, bucking the trend we normally see in June
- 50CL price continues to decline and now as much as 36% from the peak a few weeks ago
- April restaurant traffic data was particularly poor but weather may have been a factor

Imported Market Activity for the Week

Prices for imported lean grinding beef continued to trade very firm this week but demand appeared to have shifted a bit, with increased interest for 90CL and 85CL product.

Lower prices for fat beef trimmings, lack of availability for these product categories and a slight seasonal bump in bull meat supplies all contributed to the narrowing spread between lean and extra lean grinds. Market participants continued to point out

the dearth of offerings from Australia as packers there appear to be quite well sold for the next 7:45 days and there is heightened uncertainty about the supply outlook in August and September. Lower prices for fed cattle in the US appeared to have little impact on the market. Demand in the US market was described as mixed, with some market participants complaining about market conditions while others saying they continue to see a good flow of orders. Spot supplies remain particularly tight, and in the short term this is supportive the market.

Price Performance of Imported 90CL Boneless Beef during Mar - Sep Period

March Average = 100%

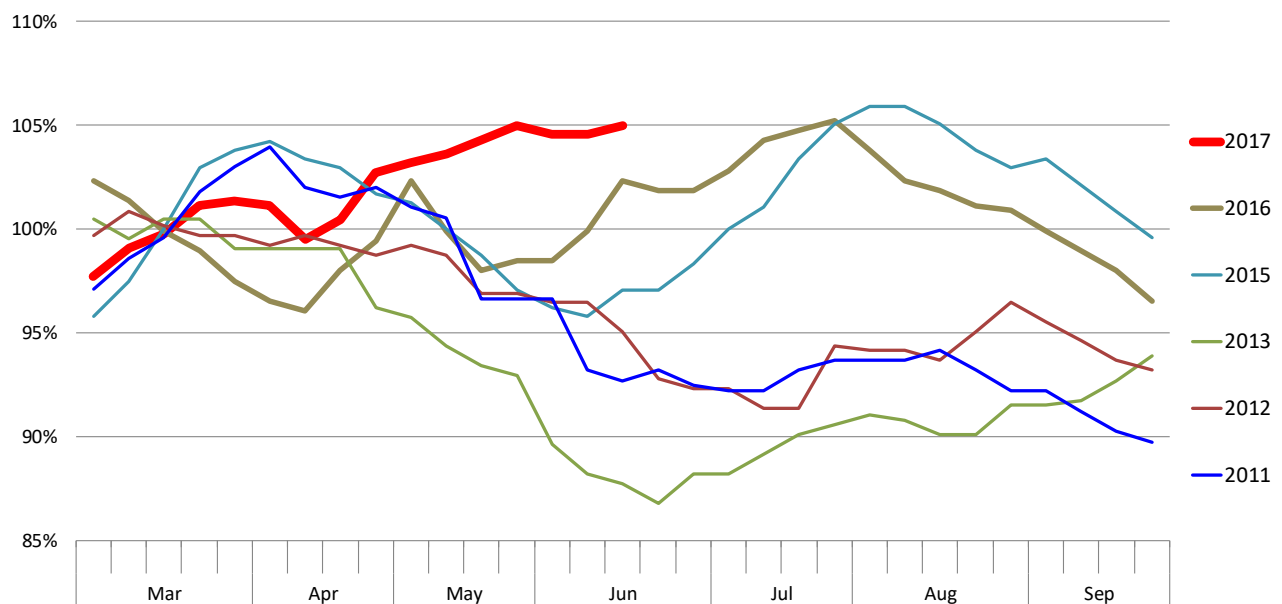
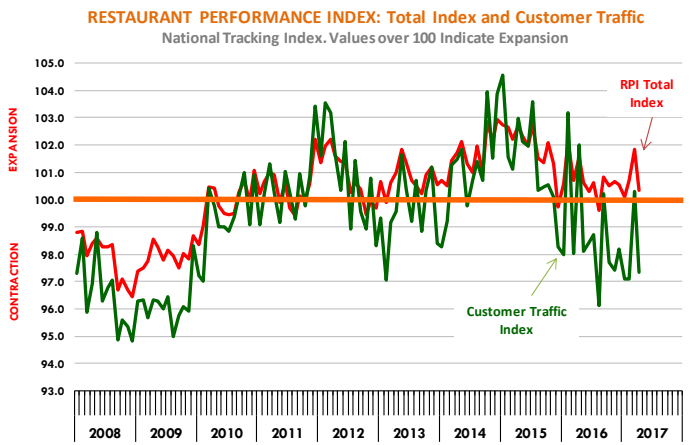


Chart Highlight

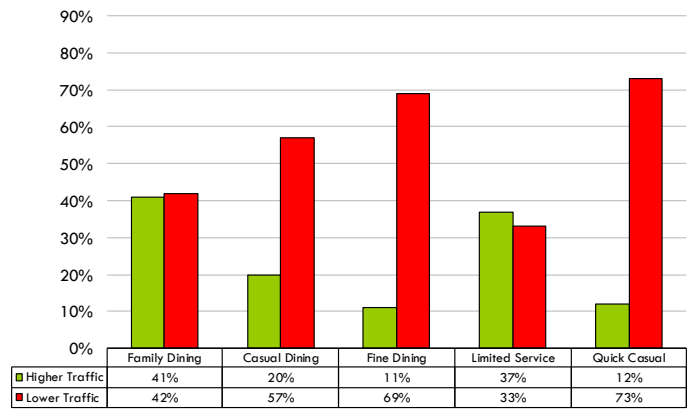
The chart on page 1 shows the trend of imported beef prices for the spring and summer months in the US. Because prices move around from one year to the next, we thought it would be best to index prices relative to March levels rather than show absolute price levels. For example, prices in 2013 by June were down almost 14% compared to the March average of that year while in 2016 the price decline was much smaller. The point of this chart is to show that generally June imported prices tend to be lower than March levels, which makes sense. After all we see a surge in beef shipments from New Zealand during May while early spring demand normally settles down. This year, however, has been different and we did not see much of a break in price and currently the price of imported beef is about 5% higher than the March average. In most years prices for imported beef continue to gain in July and August, largely a supply effect due to the seasonal decline in slaughter in New Zealand and Uruguay.

Foodservice Demand Concerns

Following up on our discussion last week, there continues to be a lot of debate about business conditions at foodservice. While retailers have generally been more adept at adjusting prices in order to stimulate foot traffic, larger chain restaurants have struggled and the trend has been down. The top chart shows the trend in the restaurant performance index and one of its key components, customer traffic. Foot traffic has been trending lower since 2014 and it has been in contraction territory for the past 12 months. The second chart shows the latest reading for the month of April and the picture is not pretty. While all respondents indicated that traffic was lower in April 2017 compared to the same period a year ago, the situation was particularly concerning for fine dining and quick casual. Fine dining likely needs little explanation, it is the high end of the foodservice industry and has the largest checks. The decline is often blamed on the proliferation of entertainment options and the propensity of younger people to forego splurging on fancy dinners and rather opt for less formal dining out experiences. Quick casual is part of the quick service restaurant category (QSR) but use to distinguish those concepts that are a bit more upscale than the traditional fast food chain. This was a high flying concept a few years ago but has been challenged in recent years by the proliferation of independent restaurants that boast even fancier décor and high quality ingredients. Low interest rates likely have further added to the pressure, encouraging more entrepreneurs to jump into the fray.

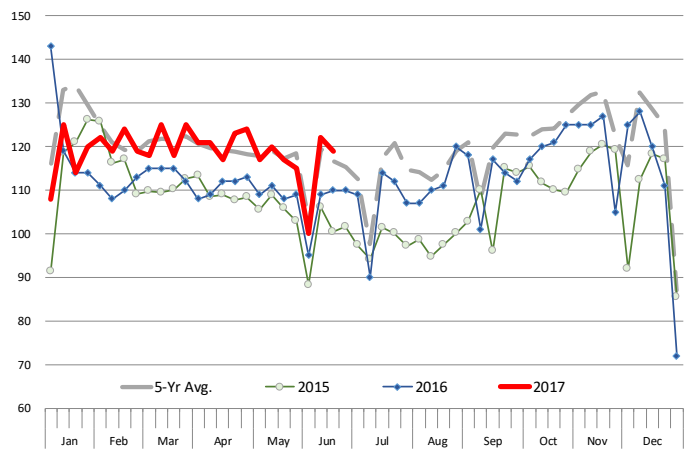


RESTAURANT TRAFFIC TRENDS. April 2017 vs. April 2016
 Respondents Indicating Traffic Level Compared to the Same Period a Year Ago



WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA



Supply Matters

- US non fed cattle slaughter last week was estimated at 122,000 head, the highest weekly volume since the end of April and 12% higher than the comparable week a year ago. For this week we estimate cow and bull slaughter in the US to be 119,000 head, 8.2% higher than a year ago. Weekly non-fed slaughter so far in Q2 is running about 8% above year ago levels.

- Fed cattle slaughter last week was 500,000 head, the second largest weekly slaughter for the year and 3.4% above year ago levels. So far in Q2 weekly fed cattle slaughter has averaged 3.6% under last year. However, much of this increase has been offset by lower fed carcass weights, which often have been 2.5-3% under year ago levels. Weights are slowly recovering but they still remain about 2% under last year. Packers continue to aggressively process cattle thanks to some of the best margins in years and this should continue to keep front end supplies current. Fed cattle futures declined sharply in the last few sessions on speculation that weaker demand and a huge basis (difference between forward cattle and current spot market) will incentivize both packers and feedlots to keep the marketing rate up. Lower prices for fat beef trimmings also indicating that retail ground beef demand could slow down dramatically in July.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 231 US cents on the top side, unchanged from a week ago and 11 cents higher than year ago levels. **The weighted average price tonight was quoted at 231, 1 cent higher than a week ago.** 85CL beef trim prices on the top side were quoted tonight at 219.5 cents, 3.3 cents higher than last week and 20.5 cents higher than last year. The weighted average price for 85CL beef was 203 cents a pound, 4 cents lower than a week ago. 50CL beef price was 141.8 cents on the high side, 23 cents lower than a week ago but still 47 cent higher than last year. On a weighted average basis, the price of 50CL beef is now 129 cents.

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 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
	13-Jun-17	6-Jun-17		14-Jun-16	
CME FEEDER CATTLE INDEX	153.92	152.81	0.7%	147.44	4.4%
	14-Jun-17	7-Jun-17		15-Jun-16	
FED STEER (5-MKT AVG)	135.45	136.07	-0.5%	127.43	6.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	124.00	121.50	2.1%	145.50	-14.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	131.00	129.00	1.6%	144.50	-9.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	117.00	116.50	0.4%	133.50	-12.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	#N/A	179.46	#N/A	173.24	#N/A

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
	14-Jun-17	14-Jun-17	7-Jun-17	7-Jun-17		15-Jun-16	15-Jun-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	241.0	244.0	240.0	242.0	2.0	219.0	220.0	24.0
90 CL Blended Cow	221.0	223.0	220.0	222.0	1.0	201.0	203.0	20.0
90 CL Shank	214.0	215.0	213.0	214.0	1.0	197.0	199.0	16.0
85 CL Fores	207.0	208.0	202.0	204.0	4.0	181.0	183.0	25.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	240.0	242.0	239.0	241.0	1.0	217.0	218.0	24.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	205.0	206.0	200.0	202.0	4.0	180.0	181.0	25.0
80 CL Trimmings	188.0	192.0	188.0	189.0	3.0	158.0	160.0	32.0
75 CL Trimmings	170.0	173.0	172.0	174.0	-1.0		UNQ	N/A
65 CL Trimmings	132.0	133.0	132.0	135.0	-2.0		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides		280.0	280.0	285.0	-5.0	270.0	280.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	205.0	210.0	N/A
Steer Knuckles	250.0	255.0	255.0	265.0	-10.0	225.0	230.0	25.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	14-Jun-17	7-Jun-17				15-Jun-16		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	247.0	249.0	247.0	249.0	0.0	226.0	228.0	21.0
90 CL Blended Cow	228.0	230.0	226.0	227.0	3.0	208.0	211.0	19.0
90 CL Shank	221.0	22.0	220.0	221.0	-199.0	204.0	205.0	-183.0
85 CL Fores	213.0	214.0	213.0	214.0	0.0	188.0	189.0	25.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	247.0	248.0	246.0	247.0	1.0	226.0	227.0	21.0
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	212.0	213.0	0.0	187.0	188.0	25.0
80 CL Trimmings	193.0	194.0	193.0	194.0	0.0	166.0	167.0	27.0
75 CL Trimmings		180.0	180.0	181.0	-1.0	137.0	140.0	40.0
65 CL Trimmings	141.0	143.0	144.0	146.0	-3.0	101.0	103.0	40.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	289.0	290.0	289.0	290.0	0.0	280.0	290.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	220.0	225.0	N/A
Steer Knuckles	260.0	265.0	265.0	270.0	-5.0	235.0	240.0	25.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	14-Jun-17		7-Jun-17			15-Jun-16		
<u>Domestic Cutouts</u>								
Choice Cutout	251.03		250.71		0.3	226.42		24.6
Select Cutout	220.66		219.90		0.8	204.26		16.4
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	231.0	231.0	228.0	231.0	0.0	216.0	220.0	11.0
85 CL Beef Trimmings	199.0	219.5	199.0	216.2	3.3	191.0	199.0	20.5
50 CL Beef Trim	124.0	141.8	124.0	164.8	-23.0	87.3	95.0	46.8
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	49.3	68.3	46.8	56.3	12.0	34.6	51.1	17.2
72 CL Pork Trim	96.0	114.3	93.0	109.3	5.0	71.0	94.3	20.0
<u>Point of Lean Values</u>								
90 CL Domestic	256.7		256.7		0.0	244.4		12.2
50 CL Beef Trimming	283.5		329.5		-46.0	190.0		93.5
42 CL Pork Trim	162.5		133.9		28.6	121.7		40.8
72 CL Pork Trim	158.7		151.7		6.9	130.9		27.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	135.45		136.07		-0.6	127.43		8.0

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
	14-Jun-17	7-Jun-17			15-Jun-16		
<u>Live Cattle Futures</u>							
June '17	124.500	131.200	↓	-6.70	123.025	↑	1.47
August '17	117.875	124.175	↓	-6.30	118.725	↓	-0.85
October '17	114.800	120.400	↓	-5.60	117.875	↓	-3.08
December '17	115.525	120.525	↓	-5.00	118.275	↓	-2.75
<u>Feeder Cattle Futures</u>							
August '17	146.125	154.800	↓	-8.68	147.375	↓	-1.25
September '17	145.700	154.125	↓	-8.43	145.375	↑	0.32
October '17	144.100	152.775	↓	-8.68	143.525	↑	0.57
November '17	142.850	151.275	↓	-8.43	143.525	↓	-0.68
<u>Corn Futures</u>							
July '17	377	384 3/4	↓	-7.75	431 1/2	↓	-54.50
September '17	385	392 1/4	↓	-7.25	434 3/4	↓	-49.75
December '17	395 1/2	402 1/2	↓	-7.00	436 3/4	↓	-41.25
March '18	404 3/4	411 1/4	↓	-6.50	441 1/4	↓	-36.50
<u>Ch Wheat Futures</u>							
July '17	443	444 3/4	↓	-1.75	517 1/2	↓	-74.50
September '17	457 1/4	459 1/4	↓	-2.00	528 1/4	↓	-71.00
December '17	479	480	↓	-1.00	546	↓	-67.00
March '18	496 3/4	497 3/4	↓	-1.00	564 3/4	↓	-68.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	14-Jun-17	7-Jun-17			15-Jun-16		
<u>Total Cattle Slaughter</u>	623,000	663,000	↓	-40,000	593,000	↑	30,000
	27-May-17	20-May-17			28-May-16		
<u>Total Cow Slaughter</u>	106,239	106,775	↓	-536	101,400	↑	4,839
<u>Dairy Cow Slaughter</u>	53,568	52,074	↑	1,494	51,000	↑	2,568
<u>Beef Cow Slaughter</u>	52,671	54,701	↓	-2,030	50,400	↑	2,271

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

YTD Imported Meat Passed for Entry in the US

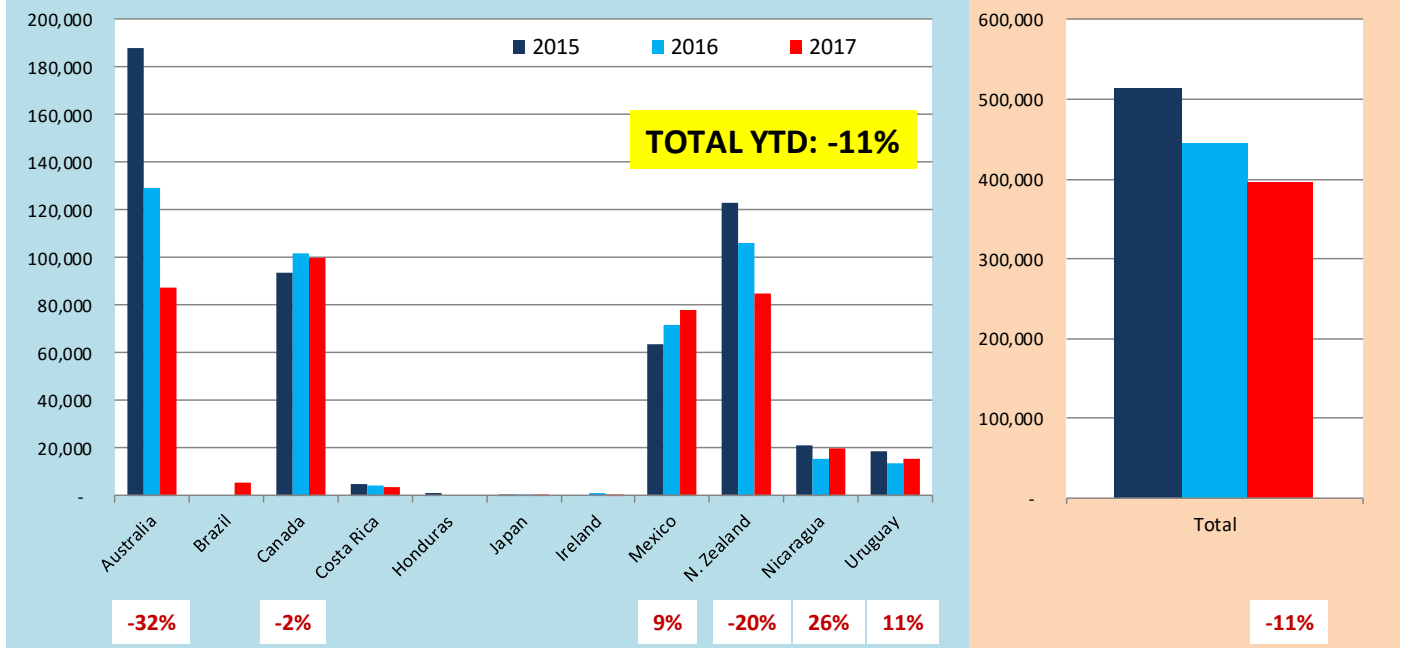
week 22	5/28/2016	6/3/2017		
Australia	129,099	87,583	(41,516)	-32.2%
Brazil		5,772		
Canada	101,827	99,974	(1,853)	-1.8%
Chile	163	180	17	10.4%
Costa Rica	4,368	3,831	(537)	-12.3%
Honduras			-	
Japan	93	166	73	78.5%
Ireland	1,187	753	(434)	-36.6%
Mexico	72,053	78,262	6,209	8.6%
New Zealand	106,057	84,808	(21,249)	-20.0%
Nicaragua	15,837	19,966	4,129	26.1%
Uruguay	13,783	15,336	1,553	11.3%
Total	444,468	396,756	(47,712)	-10.7%

Source: USDA/FSIS

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

Imports as of June 3, 2017

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

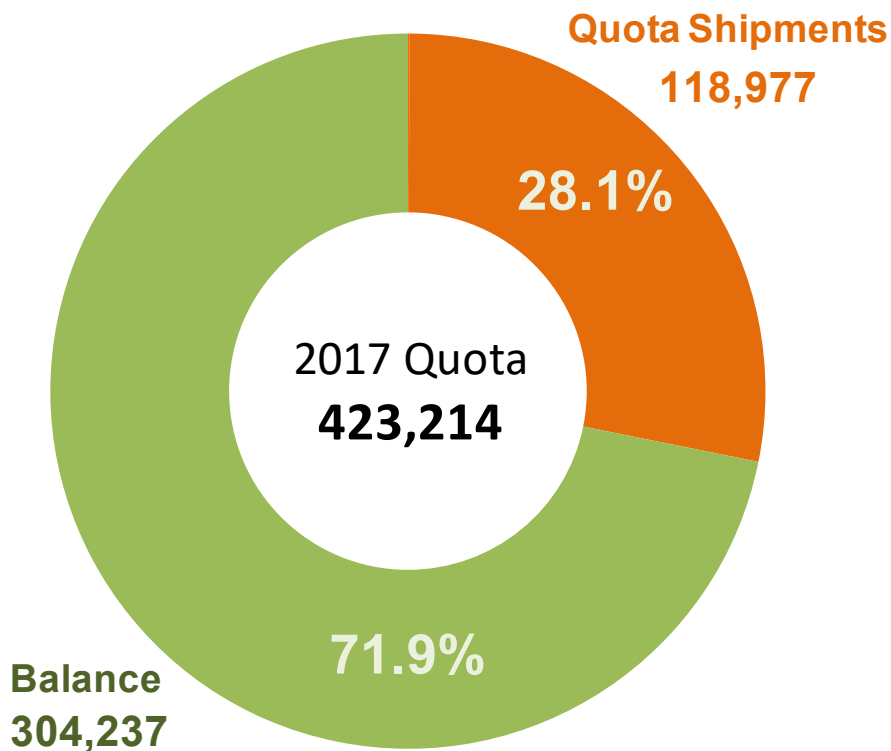


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

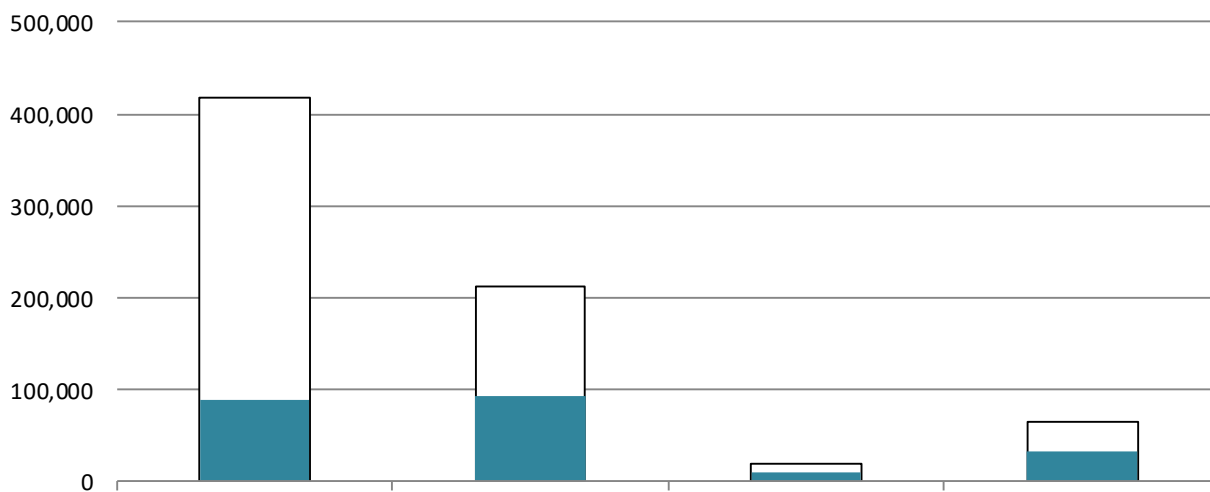
13-Jun-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 12

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	123,467,419	106,972,866	7,424,533	19,723,947
2017 YTD	88,752,265	93,386,520	10,602,271	33,192,746
% ch.	-28%	-13%	43%	68%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	21%	44%	53%	51%