



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 continued to trade very firm this week as end users struggle with the shortfall created by ban of Brazilian beef
- Lower prices for fed beef could put some downward pressure on grinding beef values later in the summer but for now supply availability of imported beef remains a key factor driving prices
- US choice beef cutout has declined almost 9% in the last two weeks, primarily due to lower prices for beef ribs but also due to the sharp correction in the value of fat beef trimmings and related products
- Drought conditions so far this year are tracking above normal but this remains a critical short term factor for US cow-calf operators
- Feedlot placements in May were larger than expected but this was largely due to lighter animals placed on feed
- Marketing rate in July and August remain key

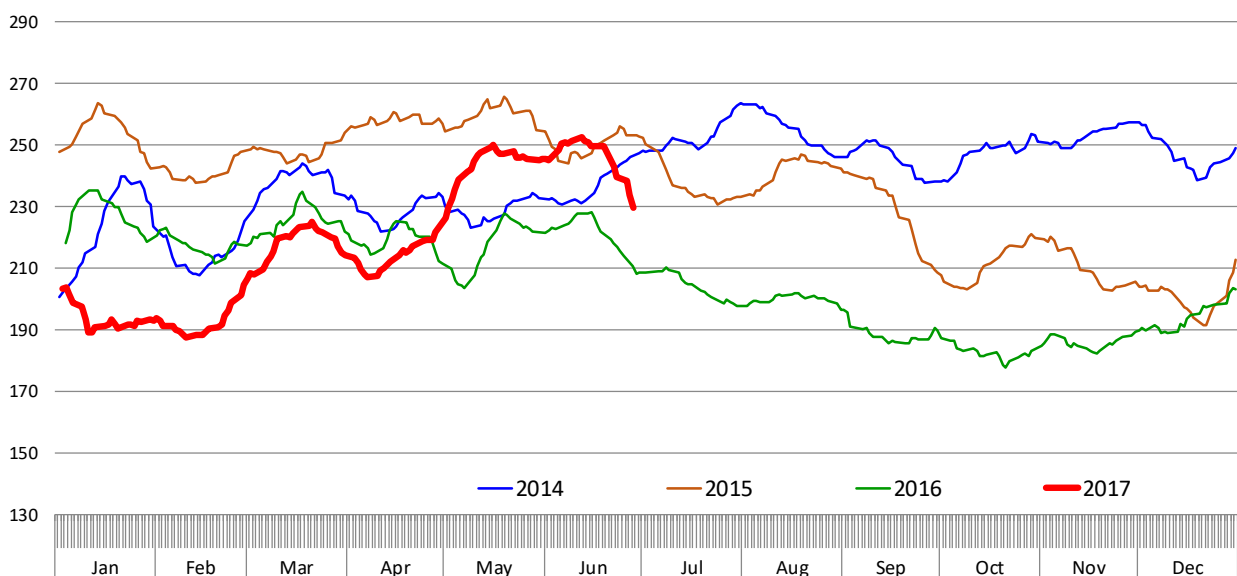
Imported Market Activity for the Week

Prices for imported lean grinding beef continued to trade very firm this week on limited offerings from Australian packers, seasonally limited supplies from New Zealand and higher bids from US end users. The increase in lean grinding beef values comes at a time when US fed beef prices have started their seasonal decline. It is not unusual for lean beef values to perform better than the broader market during this time of year as cow slaughter seasonally declines (see chart on page

2). Fed cattle futures markets remain extremely volatile, with wild swings in price the last few days as market participants ponder the implications of the latest cattle on feed report (see page 3). Imported beef buyers also recognize that with Brazil now shut out of the US market Australia remains the primary supplies of lean grinding beef in the short term. Foodservice demand characterized as spotty, with some users reporting good sales while others continuing to complain about weak foot traffic trends and fierce competition from retailers for consumer dollars.

CHOICE BEEF CUTOUT VALUE

US\$/CWT. Source: USDA Mandatory Price Reporting



Market notes for the week:

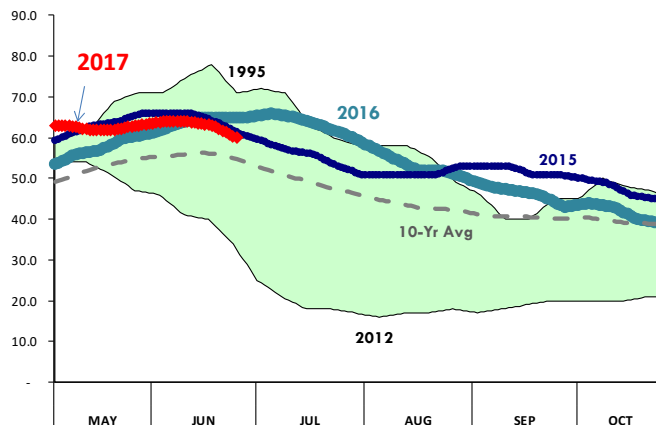
- US choice beef cutout was quoted tonight at \$229.72/cwt, down \$21 (-8.5%) compared to where it was just two weeks ago. It is not surprising that the beef cutout has pulled back considering the recent price runup but the decline still had a notable psychological impact on futures markets. The fear in the market is that the high prices this spring will negatively impact retail features during the summer and fall. Foodservice operators also are facing significantly higher food costs and thus could opt to raise menu prices. The price response could come at a time when beef supplies in the US are expected to increase thanks to expanding beef cow numbers. USDA will publish next month the results of its semi-annual cattle inventory and it is expected to show continued gains in the beef cow herd. Fed cattle prices in the spot market have also declined quite rapidly as feedlots struggle to stay ahead of the declining market.

- US cow calf operators are closely watching both fed cattle market trends and weather. Lower fed cattle values and the corresponding negative impact on feeder prices have been a source of concern and something that will impact decisions this coming fall. For now the key worry are pasture conditions and, so far, the situation appears to be quite good. For the week ending June 25 USDA reported that 60% of US pastures and ranges were in good/excellent condition compared to 63% the previous year but still above the 55% for the five year average. The drought monitor continues to show that for the most part regions that have the bulk of calf supplies so far have not been impacted by drought. The only major exception is South Dakota, which in January 1 was calculated to have about 1.150 million feeder cattle outside of feedlots (these are calves at different stages of development and yet to be placed on feed. At this point we do not see any significant pressure to pull cattle early from pastures and place them on feed. However, the decline in fed cattle prices and aggressive placements in Mar-May will likely limit the supply of feeders going into feedlots in July-Sep.

- Higher prices for imported beef in the US and a modest improvement in cattle slaughter in Australia has bolstered supplies coming into the US. Still, overall volumes remain well short of the volumes that came to the US in 2014 and 2015. Based on preliminary data we projects Australian beef exports to the US market in June at around 23,500 MT, about 1% higher than a year ago and the largest volume shipped to the US so far this year. The volume of beef shipped to the US in Jul - Oct will be a function of slaughter, which in turn will depend greatly on

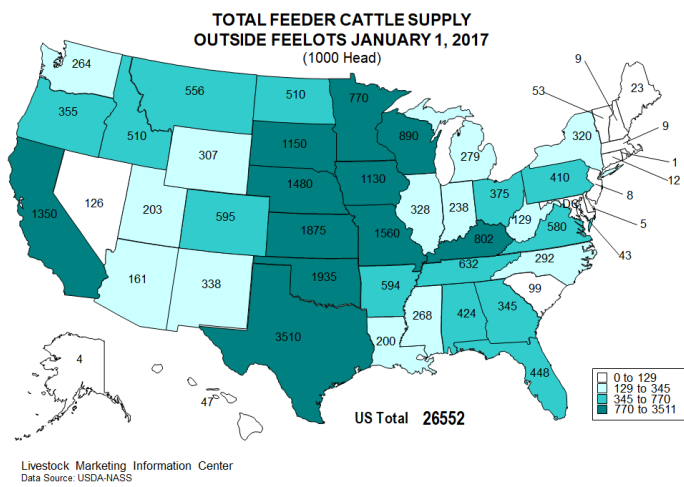
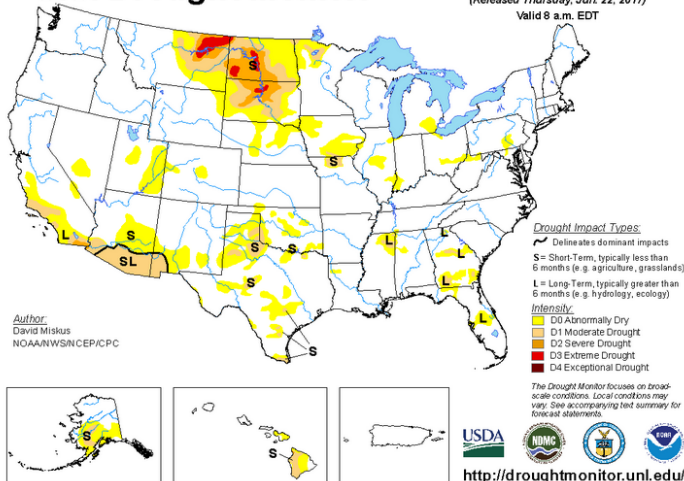
US PASTURE CONDITIONS: 20 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION. WEEK of June 25, 2017. Source USDA/NASS



U.S. Drought Monitor

June 20, 2017
(Released Thursday, Jun. 22, 2017)
Valid 8 a.m. EDT



weather conditions. For the week ending June 23, cow slaughter in Australia was 137,019 head, 6.2% higher than the previous year and the largest weekly slaughter since early June 2016.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 232 US cents on the top side, 2 cents lower than a week ago but 10 cents higher than year ago levels. **The weighted average price tonight was quoted at 232 cents, 1 cent higher than a week ago.** 85CL beef trim price on the top side was quoted tonight at 210 cents, 8.5 cents lower than last week but still 17 cents higher than last year. The weighted average price for 85CL beef was 202 cents a pound, 1 cent lower than a week ago. 50CL beef price was 117 cents on the high side, 13.8 cents lower than a week ago but 24 cents higher than last year. On a weighted average basis, the price of 50CL beef is now 108 cents compared to 129 cents a week ago.

Prices for 42CL pork trim were lower compared to a week ago. Prices for pork trim increased sharply in May following the higher prices for US beef trim. However, as US prices have declined pork trim values also have followed lower and should be substantially lower in the fall.

US Cattle On Feed Supplies & Implications

As of June 1, the total inventory of cattle on feed in feedlots with +1000 head capacity was estimated at 11.096 million head, almost 300,000 head (+2.7%) larger than a year ago. This was the first time since January 2013 that the inventory has surpassed 11 million head and the last comparable June 1 inventory was in 2012. On feed supplies have increased recently as feedlots in the last three months (Mar, Apr & May) have increased placements by 600,000 head vs. the comparable period a year ago. So while the front end supply still looks relatively current, available inventory should start to increase fairly rapidly in August. The chart below shows our projections for both on feed inventories in the next two months (+3.5% or so) and the inventory of cattle that have been on feed for more than 120 days. The 120 day inventory on June 1 was down about 9% compared to the previous year and we expect the supply of 120 day cattle to still be around 10% less than the previous year as of July 1. Robust marketings and the seasonal decline in placements in February have contributed to the tight front end supply. Indeed it is quite puzzling why fed cattle prices have declined by \$14/cwt in the last two weeks considering that feedlot supplies are not particularly burdensome. Some of this may be a function of increased volatility in the futures market, especially since so many long positions were added in May and now

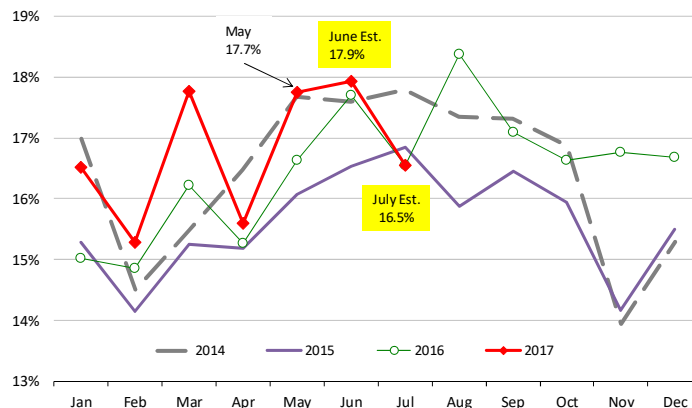
U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2015	2016	2017	Actual	Estimates	Difference
Placed on Feed During May	1,719	1,889	2,119	112.2	110.1	2.1
Fed Cattle Marketed May	1,711	1,794	1,951	108.8	108.8	0.0
On Feed June 1	10,571	10,804	11,096	102.7	102.2	0.5

FEEDLOT TURN-OVER RATE (MARKETING RATIO VS. INVENTORY)

Calculated using USDA Monthly "Cattle on Feed" Survey Data



those same longs quite anxiously want to get out. Feedlot operators also recognize that they need to stay aggressive with their marketings. The big discount into the fall will continue to incentivize feedlots to try and sell cattle early. If you remember, it was this incentive that eventually set up the price run-up this past spring. But for now market participants recognize that a fairly significant number of cattle have been pulled into feedlots and this will put some downward pressure on prices in the short term.

Current futures markets have sold off quite aggressively on the assumption that beef sales will slow down in July and August. Middle meats, end cuts and ground beef so far have provided beef packers with great value and fed cattle slaughter in the last two weeks has surpassed 510,000 head. At this point we are not as bearish as futures with regard to both beef sales and marketings during Q3. We also think beef exports will continue to track above year ago levels while smaller imports will hold up lean grinding beef values.

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
	27-Jun-17	20-Jun-17		28-Jun-16	
CME FEEDER CATTLE INDEX	146.86	148.07	-0.8%	141.27	4.0%
	28-Jun-17	21-Jun-17		29-Jun-16	
FED STEER (5-MKT AVG)	121.50	129.24	-6.0%	116.92	3.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	124.00	124.00	0.0%	145.00	-14.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	132.00	131.00	0.8%	143.50	-8.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	119.50	119.00	0.4%	134.50	-11.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	180.91	180.85	0.0%	172.36	5.0%

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
	28-Jun-17	245.0	21-Jun-17	244.0		29-Jun-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	242.0	245.0	240.0	244.0	1.0	220.0		25.0
90 CL Blended Cow	223.0	225.0	221.0	224.0	1.0	200.0	204.0	21.0
90 CL Shank	212.0	215.0	214.0	215.0	0.0	199.0	201.0	14.0
85 CL Fores	208.0	209.0	207.0	208.0	1.0	181.0	184.0	25.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	241.0	242.0	239.0	242.0	0.0	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	204.0	205.0	1.0	180.0	183.0	23.0
80 CL Trimmings	185.0	186.0	186.0	187.0	-1.0	160.0	165.0	21.0
75 CL Trimmings	170.0	171.0	171.0	174.0	-3.0	139.0	140.0	31.0
65 CL Trimmings	134.0	135.0	132.0	134.0	1.0		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	280.0	290.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	205.0	215.0	N/A
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	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
	28-Jun-17	24-Jun-17	21-Jun-17	17-Jun-17		29-Jun-16	29-Jun-16	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	248.0	249.0	248.0	249.0	0.0	228.0	229.0	20.0
90 CL Blended Cow	231.0	233.0	228.0	230.0	3.0	209.0	210.0	23.0
90 CL Shank	224.0	225.0	222.0	223.0	2.0	205.0	206.0	19.0
85 CL Fores	213.0	214.0		213.0	1.0	190.0	191.0	23.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast		248.0	247.0	248.0	0.0	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	210.0	211.0	2.0	188.0	189.0	24.0
80 CL Trimmings	190.0	192.0	192.0	193.0	-1.0	169.0	171.0	21.0
75 CL Trimmings	179.0	180.0	179.0	180.0	0.0	148.0	150.0	30.0
65 CL Trimmings	141.0	142.0	140.0	142.0	0.0	103.0	104.0	38.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	290.0	291.0	291.0	294.0	-3.0	290.0	300.0	-9.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	225.0	235.0	N/A
Steer Knuckles	260.0	265.0	260.0	265.0	0.0	240.0	245.0	20.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	28-Jun-17	21-Jun-17				29-Jun-16		
<u>Domestic Cutouts</u>								
Choice Cutout	229.43	246.99			-17.6	208.57		20.9
Select Cutout	212.67	219.88			-7.2	195.88		16.8
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	231.0	232.0	230.0	234.0	-2.0	216.0	222.1	9.9
85 CL Beef Trimmings	202.0	210.0	201.0	218.5	-8.5	191.0	193.0	17.0
50 CL Beef Trim	100.8	117.0	117.0	130.8	-13.8	82.2	93.0	24.0
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	57.0	73.3	66.0	78.3	-5.0	29.3	39.3	34.0
72 CL Pork Trim	86.0	114.3	97.0	122.3	-8.0	63.4	88.8	25.4
<u>Point of Lean Values</u>								
90 CL Domestic	257.8		260.0		-2.2	246.8		11.0
50 CL Beef Trimming	234.0		261.5		-27.5	186.0		48.0
42 CL Pork Trim	174.4		186.3		-11.9	93.5		81.0
72 CL Pork Trim	158.7		169.8		-11.1	123.4		35.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	121.50		129.24		-7.7	116.92		4.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	28-Jun-17	21-Jun-17			29-Jun-16	
<u>Live Cattle Futures</u>						
August '17	120.250	115.350	↑	4.90	118.900	↑ 1.35
October '17	115.625	113.025	↑	2.60	114.125	↑ 1.50
December '17	113.650	113.825	↓	-0.17	113.950	↓ -0.30
February '18	114.000		↑	114.00	114.375	↓ -0.38
<u>Feeder Cattle Futures</u>						
August '17	146.400	144.650	↑	1.75	143.050	↑ 3.35
September '17	146.400	144.050	↑	2.35	142.050	↑ 4.35
October '17	145.075	142.325	↑	2.75	140.450	↑ 4.63
November '17	143.400	140.625	↑	2.78	140.450	↑ 2.95
<u>Corn Futures</u>						
July '17	356 3/4	368 3/4	↓	-12.00	372 3/4	↓ -16.00
September '17	366 1/4	376 3/4	↓	-10.50	377 3/4	↓ -11.50
December '17	376 1/4	386 3/4	↓	-10.50	383	↓ -6.75
March '18	386	396 1/4	↓	-10.25	390 1/4	↓ -4.25
<u>Ch Wheat Futures</u>						
July '17	457 1/4	464 1/2	↓	-7.25	429 1/2	↑ 27.75
September '17	473	479 1/2	↓	-6.50	444 1/2	↑ 28.50
December '17	495 1/4	502	↓	-6.75	465 1/4	↑ 30.00
March '18	510	518	↓	-8.00	484 1/4	↑ 25.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	28-Jun-17	21-Jun-17			29-Jun-16	
<u>Total Cattle Slaughter</u>	633,000	627,000	↑	6,000	611,000	↑ 22,000
	10-Jun-17	3-Jun-17			11-Jun-16	
<u>Total Cow Slaughter</u>	111,665	94,882	↑	16,783	99,400	↑ 12,265
<u>Dairy Cow Slaughter</u>	52,737	47,118	↑	5,619	50,700	↑ 2,037
<u>Beef Cow Slaughter</u>	58,928	47,764	↑	11,164	48,700	↑ 10,228

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

YTD Imported Meat Passed for Entry in the US

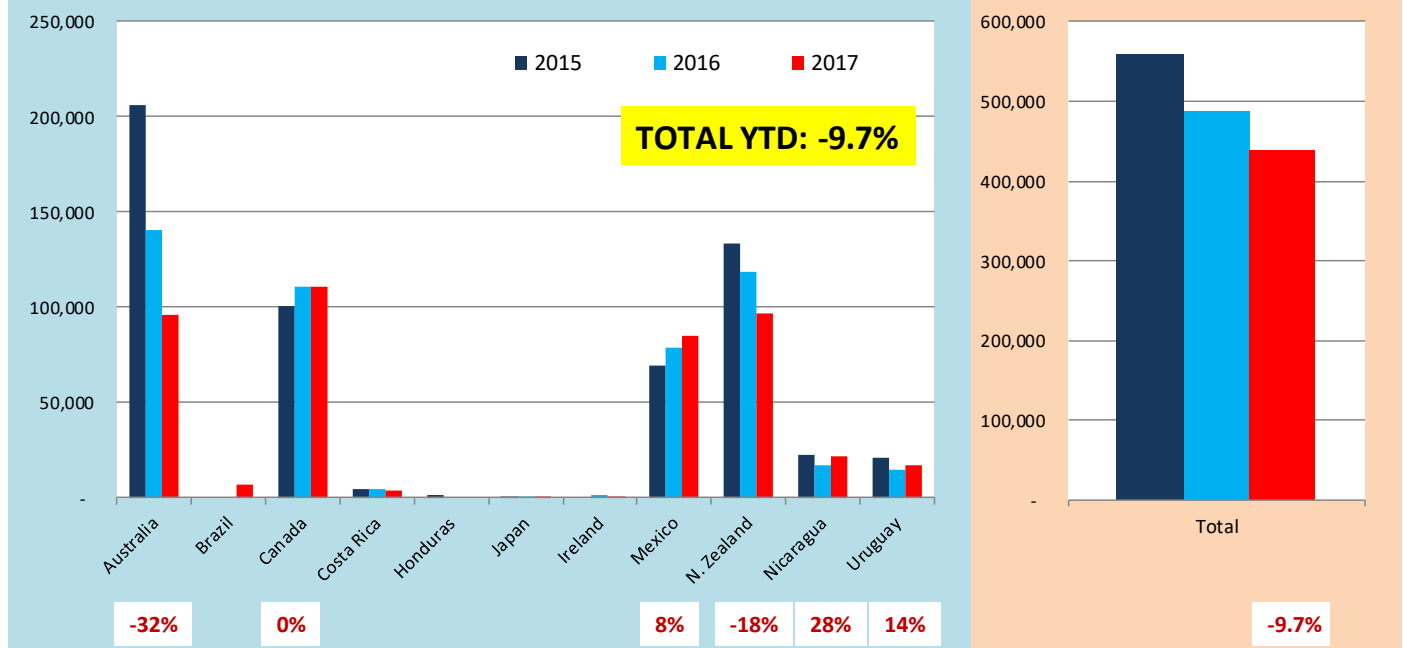
week 24	6/11/2016	6/17/2017		
Australia	140,749	95,781	(44,968)	-31.9%
Brazil	-	7,162		
Canada	110,994	111,129	135	0.1%
Chile	208	202	(6)	-2.9%
Costa Rica	4,753	4,118	(635)	-13.4%
Honduras	-	-	-	
Japan	101	187	86	85.1%
Ireland	1,253	866	(387)	-30.9%
Mexico	79,143	85,233	6,090	7.7%
New Zealand	118,339	96,707	(21,632)	-18.3%
Nicaragua	16,926	21,592	4,666	27.6%
Uruguay	14,884	16,928	2,044	13.7%
Total	487,350	440,037	(47,313)	-9.7%

Source: USDA/FSIS

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

Imports as of June 17, 2017

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

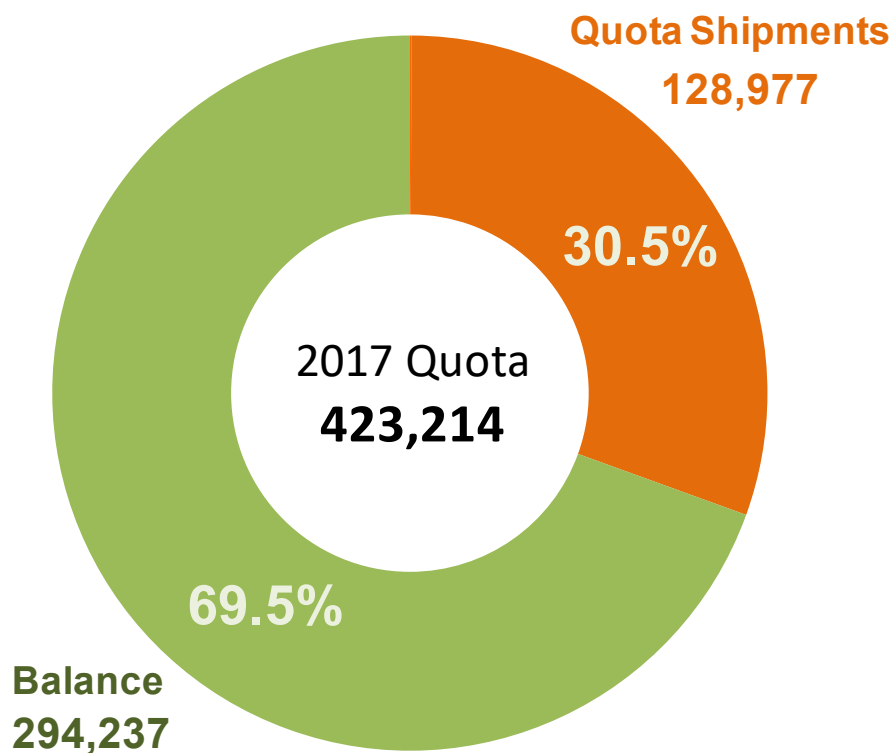


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

26-Jun-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 26

Source: US Customs

