



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 hold a firm tone this week although trading was limited due to 4th of July (Independence Day) holiday
- Asking prices from Australian packers remain very firm
- US end users for the most part finding that lower bids are routinely passed
- Offerings from Central American suppliers also more limited now that Brazil appears to be out of the picture for the foreseeable future
- Lean grinding beef availability is very limited in the spot market and Australia tends to be the major supplier of lean grinding beef in Q3. End users looking for New Zealand product will have to wait until Nov/Dec for adequate grinding supplies to start showing up
- US fed cattle prices continue to erode as feedlots try to stay ahead of larger supplies becoming available in August and September

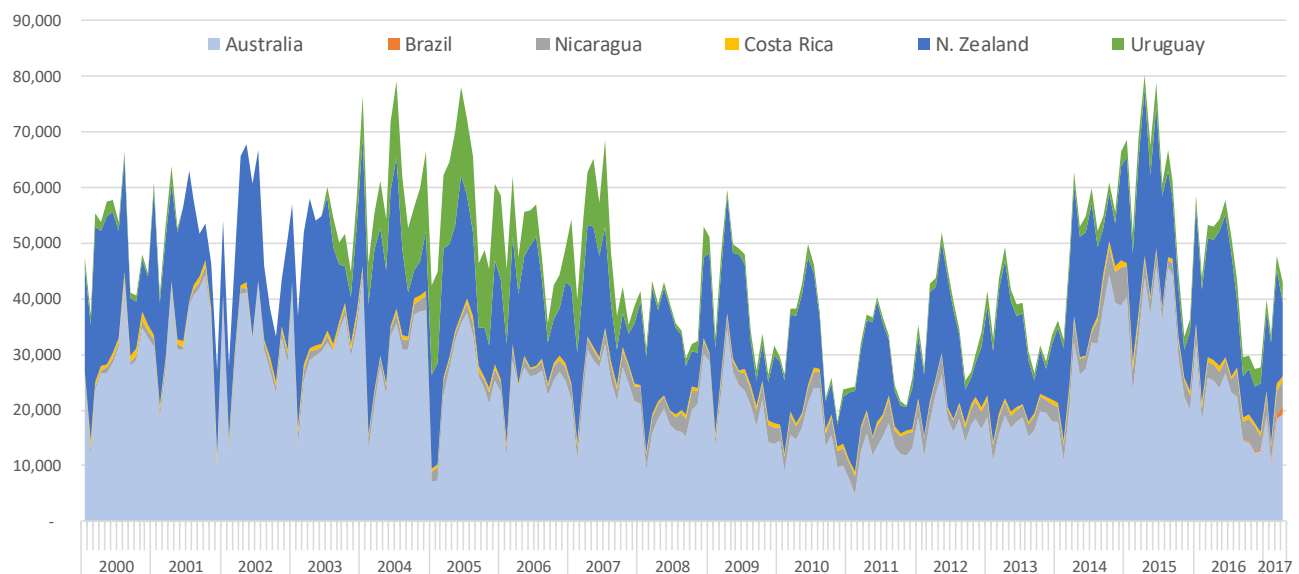
Imported Market Activity for the Week

We think you should be a bit careful when considering imported beef prices in today's report since there was not much time for trade to be established this week. Tuesday was a national holiday in the US and many people took Monday off as well for a long four day holiday break. We suspect some trading will occur later today and tomorrow so the prices in our report should be viewed as an early indication at this point. For the most part they reflect what overseas suppliers currently are offering. De-

mand for lean and extra lean grinding beef remains good and available supplies continue to fall well short. While end users may try to bid down from current levels, prices for imported beef may also get some support from very firm prices for domestic lean grinding products. Tonight USDA quoted the price of 90CL fresh boneless beef at \$233/cwt. When one adds to this 11-12 cents to bring it to the coast plus the value of storage/blend value of frozen product, imported beef values in the high 230s (which is the current market) may not be that outrageous after all. Some market participants pointed out that New

US Monthly Beef Imports from Major Grinding Beef Suppliers

Actual Official Imports of Fresh/Frozen Beef. Metric Ton Basis. Source: FAS/USDA



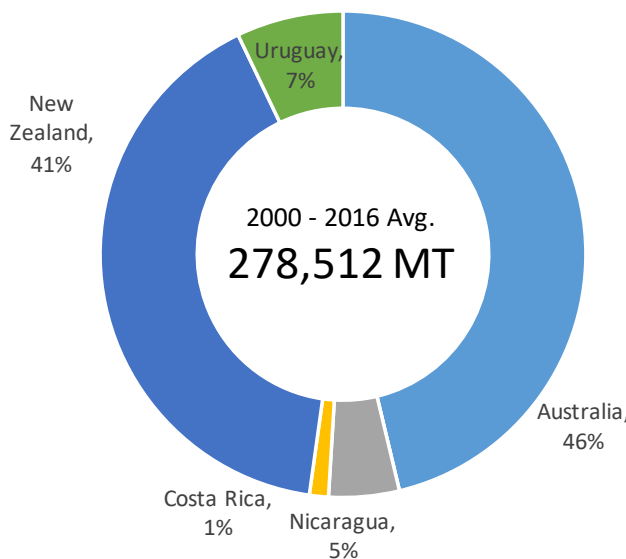
Zealand packers appear to be hard sold and for the most part now are focused on finding enough supplies to fill orders currently on the books. Slaughter in Australia has picked up but demand from other markets continues to be quite robust. There is ongoing speculation/concern that reduced shipments from India could continue to stoke up demand from markets that traditionally look to source beef from that country. Also, there are concerns that enhanced Chinese inspections of Brazilian beef could cause some Chinese buyers to turn to Australia. In this environment, it appears that Australian packers appear to be more resolute in their offerings and willing to pass on lower US bids.

We often speak about the fact that Australian packers are by far the most dominant players in the US market in the second half of the year and the charts to the right illustrate that fact. We looked at US import data from all countries that ship grinding beef to the US. We left out Canada and Mexico, which for the most part send chilled beef cuts to the US and considered Australia, New Zealand, Uruguay, Nicaragua, Costa Rica and Brazil. Looking at this long run 15 year period, Australian beef accounted for a 46% share during the first six months of the year but its share jumped to 58% in the second half of the year. The main reason for the change is the reduction in beef shipments from New Zealand during Jul—Oct. Interestingly, Uruguay share was fairly steady at 7% although that percentage share is skewed a bit by the fact that Uruguayan beef imports were very large during 2004-07 as the country looked to establish itself in the global market following FMD problems. Data also shows that overall availability of imported beef declines in the second half of the year, with much of the drop off impacting Q3.

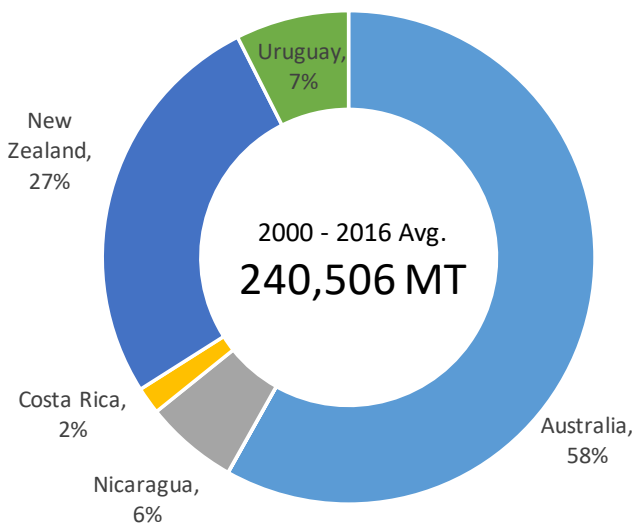
USA Lean Beef Supplies/Demand

US cow and bull slaughter for the week ending July 1 was estimated by USDA at 122,000 head, 8.2% higher than a year ago. However, the recent track record is for USDA to revise up these initial estimates. For the last four reported weeks, cow/bull slaughter in the US has averaged 123,000 head, 12% higher than a year ago. The increase in slaughter is due to both more beef cows and more dairy cows coming to market. Beef cow slaughter during the last few weeks is up as much as 20% compared to the previous year but dairy cow slaughter also has increased recently. We do not find the increase in dairy cow surprising since overall dairy inventories have increased in the last 12 months. In the next page we show the ratio of monthly dairy cow slaughter vs. the monthly dairy inventory and so far dairy slaughter appears to be in line with the normal culling rate. As for the increase

**Share of Imports for Major Grinding Beef Suppliers
January - June Period**



**Share of Imports for Major Grinding Beef Suppliers
July - December Period**



in the beef cow slaughter, we think the primary factor is the deterioration in beef producer margins and increasing uncertainty about future calf prices. Producers are facing a sharp discount for calves in 2018 while the market is paying a premium for cows today. The incentive is to bring to market marginal cows earlier rather than later. There has also been a deterioration in feed conditions in the Northern Plains region, which also may have pushed more beef cows to market. For now ground beef demand remains good. Lower fed cattle prices could put some downward pressure on lean beef in the short term but one also needs to con-

sider than lower prices in July could provide retailers with opportunities to promote ground beef going into Labor Day.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 233 US cents on the top side, 1 cent higher than a week ago and 14 cents higher than year ago levels. **The weighted average price tonight was quoted at 233 cents, 1 cent higher than a week ago.** 85CL beef trim price on the top side was quoted tonight at 209.6 cents, 0.4 cents lower than last week but still 10 cents higher than last year. The weighted average price for 85CL beef was 205 cents a pound, 3 cent higher than a week ago. 50CL beef price was 110 cents on the high side, 7 cents lower than a week ago but 14 cents higher than last year. On a weighted average basis, the price of 50CL beef is now 101 cents compared to 108 cents a week ago.

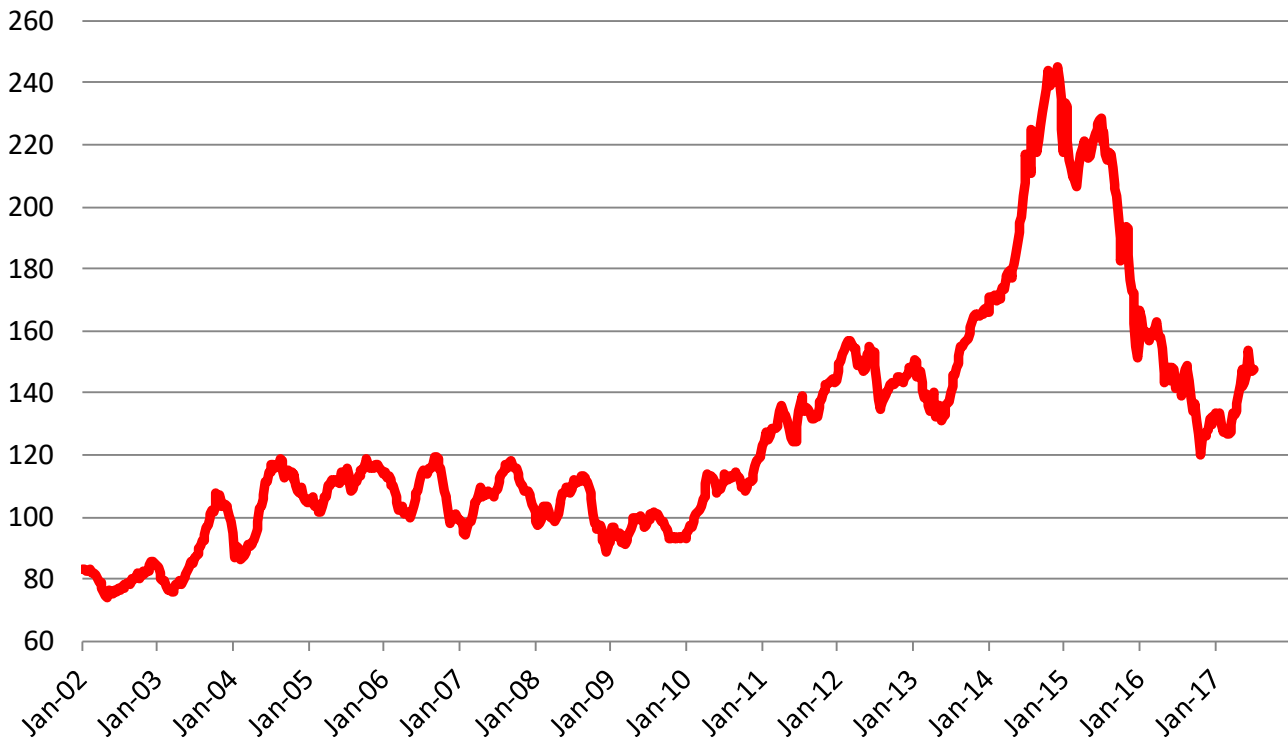
Prices for 42CL pork trim were mixed compared to a week ago. Prices for pork trim increased sharply in May following the higher prices for US beef trim. However, as US prices have declined pork trim values also have followed lower and should be substantially lower in the fall.

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
	4-Jul-17	27-Jun-17		5-Jul-16	
CME FEEDER CATTLE INDEX	147.53	146.86	0.5%	143.85	2.6%
	5-Jul-17	28-Jun-17		6-Jul-16	
FED STEER (5-MKT AVG)	118.70	121.50	-2.3%	122.47	-3.1%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	123.00	124.00	-0.8%	144.00	-14.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	131.00	132.00	-0.8%	141.00	-7.1%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	120.00	119.00	0.8%	132.00	-9.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	181.52	180.91	0.3%	172.44	5.3%

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
	5-Jul-17		28-Jun-17			6-Jul-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	241.0	244.0	242.0	245.0	-1.0	222.0	224.0	20.0
90 CL Blended Cow	225.0	230.0	223.0	225.0	5.0	204.0	205.0	25.0
90 CL Shank	215.0	218.0	212.0	215.0	3.0	201.0	203.0	15.0
85 CL Fores	208.0	210.0	208.0	209.0	1.0	185.0	186.0	24.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	239.0	242.0	241.0	242.0	0.0	222.0	223.0	19.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	208.0	209.0	205.0	206.0	3.0	183.0	184.0	25.0
80 CL Trimmings		187.0	185.0	186.0	1.0	165.0	167.0	20.0
75 CL Trimmings	171.0	175.0	170.0	171.0	4.0	145.0	150.0	25.0
65 CL Trimmings		135.0	134.0	135.0	0.0	101.0	102.0	33.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	285.0	295.0	-10.0
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	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
	5-Jul-17		28-Jun-17			6-Jul-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	229.0	230.0	19.0
90 CL Blended Cow	232.0	233.0	231.0	233.0	0.0		212.0	21.0
90 CL Shank	224.0	225.0	224.0	225.0	0.0	206.0	208.0	17.0
85 CL Fores	215.0	217.0	213.0	214.0	3.0	190.0	192.0	25.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	247.0	248.0		248.0	0.0	227.0	228.0	20.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	213.0	215.0	212.0	213.0	2.0	189.0	191.0	24.0
80 CL Trimmings	194.0	195.0	190.0	192.0	3.0	172.0	175.0	20.0
75 CL Trimmings	179.0	180.0	179.0	180.0	0.0	158.0	160.0	20.0
65 CL Trimmings	142.0	143.0	141.0	142.0	1.0	107.0	109.0	34.0
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	289.0	290.0	290.0	291.0	-1.0	300.0	305.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	230.0	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
	5-Jul-17		28-Jun-17			6-Jul-16		
<u>Domestic Cutouts</u>								
Choice Cutout	222.58		229.43		-6.8	209.08		13.5
Select Cutout	205.32		212.67		-7.3	196.93		8.4
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	232.5	233.0	231.0	232.0	1.0	216.0	219.0	14.0
85 CL Beef Trimmings	195.5	209.6	202.0	210.0	-0.4	191.0	200.0	9.6
50 CL Beef Trim	94.4	110.1	100.8	117.0	-6.9	87.0	96.0	14.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	57.0	77.3	57.0	73.3	4.0	33.0	41.6	35.6
72 CL Pork Trim	87.0	104.3	86.0	114.3	-10.0	65.5	77.7	26.6
<u>Point of Lean Values</u>								
90 CL Domestic	258.9		257.8		1.1	243.3		15.6
50 CL Beef Trimming	220.3		234.0		-13.7	192.0		28.3
42 CL Pork Trim	183.9		174.4		9.5	99.1		84.8
72 CL Pork Trim	144.8		158.7		-13.9	107.9		36.9
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	118.70		121.50		-2.8	122.47		-3.8

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
	5-Jul-17	28-Jun-17			6-Jul-16		
<u>Live Cattle Futures</u>							
August '17	113.550	120.250	↓	-6.70	112.800	↑	0.75
October '17	112.825	115.625	↓	-2.80	113.100	↓	-0.27
December '17	113.525	113.650	↓	-0.13	113.975	↓	-0.45
February '18	114.325	114.000	↑	0.33	113.575	↑	0.75
<u>Feeder Cattle Futures</u>							
August '17	142.225	146.400	↓	-4.18	144.575	↓	-2.35
September '17	142.725	146.400	↓	-3.68	143.700	↓	-0.97
October '17	142.275	145.075	↓	-2.80	142.475	↓	-0.20
November '17	141.750	143.400	↓	-1.65	142.475	↓	-0.72
<u>Corn Futures</u>							
July '17	381 3/4	356 3/4	↑	25.00	335 3/4	↑	46.00
September '17	392	366 1/4	↑	25.75	341 1/2	↑	50.50
December '17	404	376 1/4	↑	27.75	348 1/4	↑	55.75
March '18	413 1/4	386	↑	27.25	357 3/4	↑	55.50
<u>Ch Wheat Futures</u>							
July '17	539 1/4	457 1/4	↑	82.00	415 3/4	↑	123.50
September '17	560	473	↑	87.00	428 1/2	↑	131.50
December '17	580	495 1/4	↑	84.75	448	↑	132.00
March '18	593 1/2	510	↑	83.50	465 1/4	↑	128.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	5-Jul-17	28-Jun-17			6-Jul-16		
Total Cattle Slaughter	517,000	633,000	↓	-116,000	486,000	↑	31,000
	17-Jun-17	10-Jun-17			18-Jun-16		
Total Cow Slaughter	111,384	111,665	↓	-281	98,500	↑	12,884
Dairy Cow Slaughter	53,576	52,737	↑	839	49,800	↑	3,776
Beef Cow Slaughter	57,808	58,928	↓	-1,120	48,700	↑	9,108

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

YTD Imported Meat Passed for Entry in the US

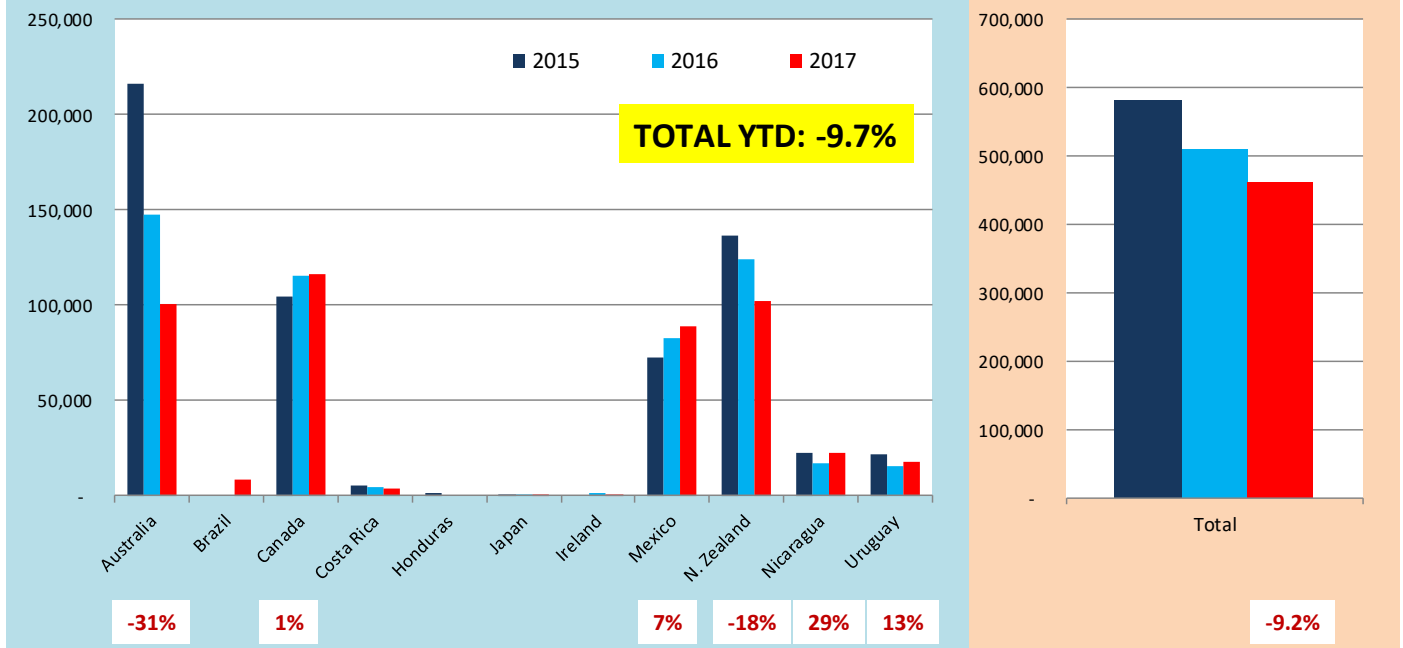
week 25	6/18/2016	6/24/2017		
Australia	147,250	100,868	(46,382)	-31.5%
Brazil	-	8,193		
Canada	115,575	116,286	711	0.6%
Chile	254	202	(52)	-20.5%
Costa Rica	4,900	4,240	(660)	-13.5%
Honduras	-	-	-	
Japan	102	202	100	98.0%
Ireland	1,303	941	(362)	-27.8%
Mexico	82,877	88,852	5,975	7.2%
New Zealand	124,056	102,208	(21,848)	-17.6%
Nicaragua	17,398	22,530	5,132	29.5%
Uruguay	15,818	17,810	1,992	12.6%
Total	509,534	462,485	(47,049)	-9.2%

Source: USDA/FSIS

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

Imports as of June 24, 2017

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

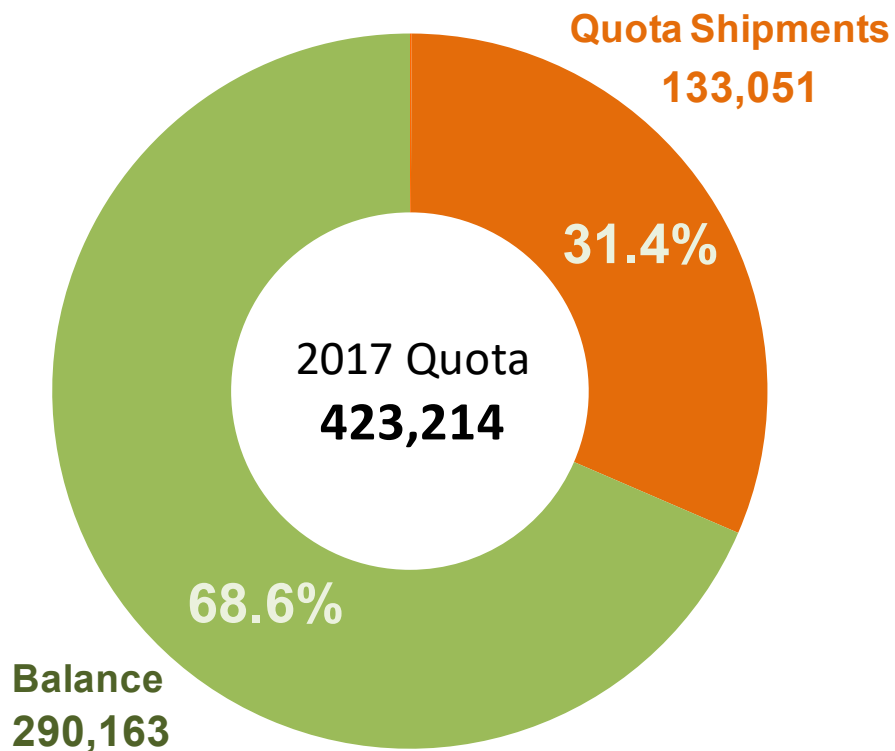


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

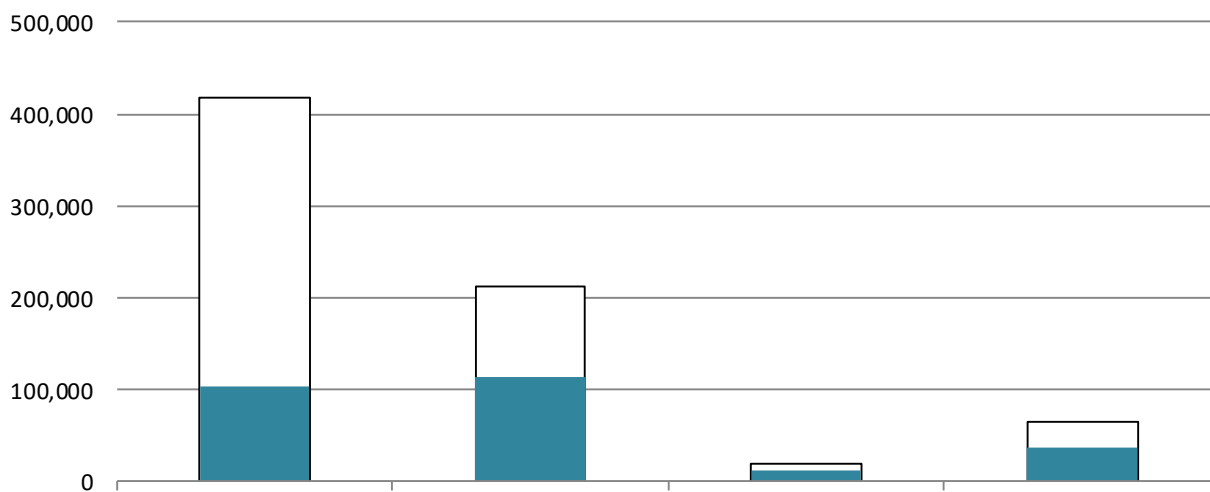
30-Jun-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending July 3

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	139,890,243	125,113,277	8,550,872	21,962,654
2017 YTD	103,493,193	113,912,544	11,653,081	37,486,368
% ch.	-26%	-9%	36%	71%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	25%	53%	58%	58%