



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 27

July 12, 2017

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Market Highlights for the Week:

- Imported beef prices lower this week on increased offerings from overseas suppliers
- Domestic end users for the most part unwilling to stretch to cover positions later in the summer
- Some expectation from US end users that lower prices for fed cattle and the downtrend in cutout values could pressure imported market
- However, the rally in fed cattle values today could change that perspective
- US ground beef demand remains quite good at retail, supported by retail feature prices that are as much as 10% lower than in 2014-15
- US cow/bull slaughter has averaged +11% in last six weeks
- Pasture conditions in last four weeks deteriorated at a faster pace than usual, likely bolstering cow slaughter.

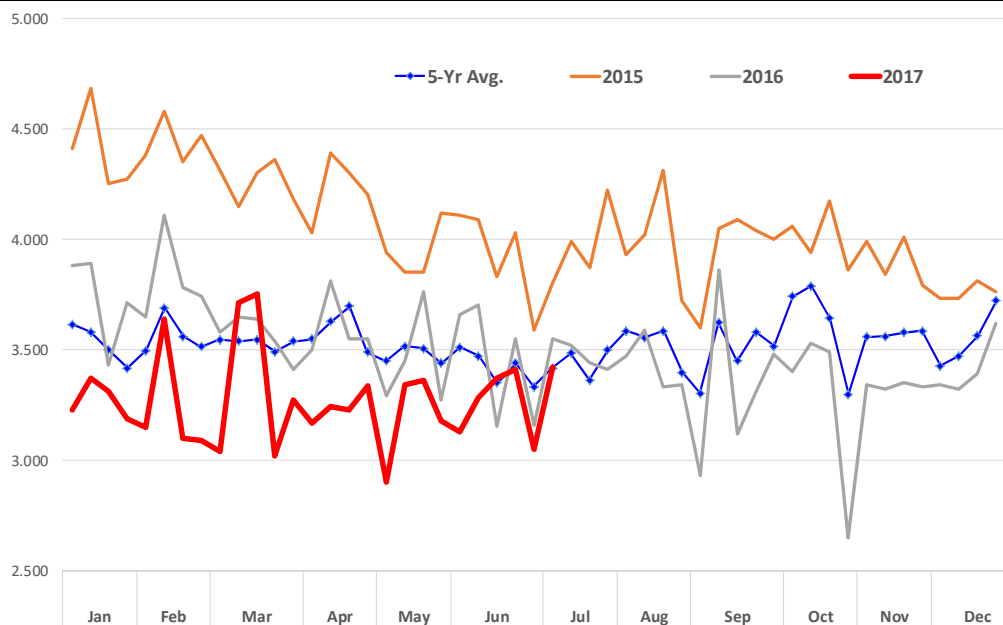
Imported Market Activity for the Week

Prices for imported beef in the US market had a soft undertone this week, with market participants indicating they could cover some orders at lower prices in Australia. Some market participants noting that higher slaughter in Australia appears to have increased availability to a certain extent and there seems to be a bit more urgency on the part of Australian packers to get some product sold for forward time slots. In the past there was reluctance to

sell for late August and September for fear of tight cattle supplies. Some of those fears appear to have eased a bit. The appreciation of the Australian dollar is a concern but so far does not appear to have significantly impacted the market. At this point it appears that increasing supplies in Australia are the primary market driver. US end users need the meat but some market participants noting that they see much stronger demand for fresh product, which would favor domestic vs. imported.

Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%

Source: USDA "LSWBFRTL" Report. Latest data point is for July 7, 2017



Key points for this week:

-US cow slaughter continues to run well above year ago levels and we think this week may see the largest cow/bull slaughter for the year at around 125,000 head, 10% above year ago levels. In the last six week cow/bull slaughter in the US has averaged 10.6% above year ago levels. While a larger cow herd implies more cull cows available, we think dry conditions in parts of the country also have pushed a few more cows to market.

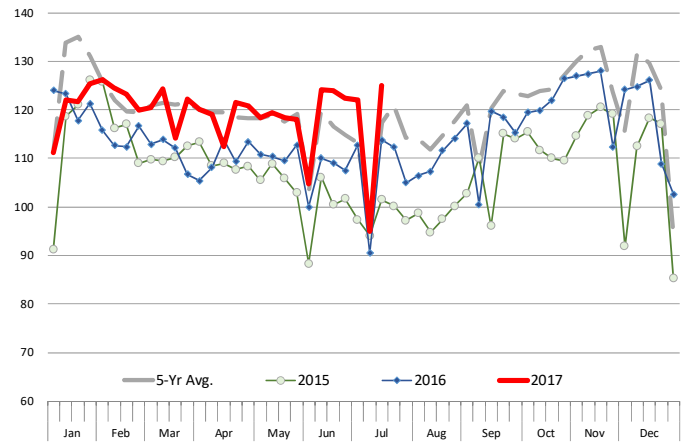
The increase in cow slaughter also is a result of more dairy cows going to slaughter. Producers have been steadily increasing the size of the dairy herd and combined with record yields (more milk per cow) this has notably increased the amount of milk in the marketplace and pressured milk prices lower. Class III milk prices were quoted tonight at 15.5 cents per pound, down 5% from a month ago.

- Pasture conditions in the US have deteriorated, as is normally the case this time of year. The pace of decline in the last two weeks, however, has been a bit more rapid than normal due to deteriorating conditions in the Northern Plains (see drought map). For week ending July 9, USDA reported that 54% of US pastures and ranges were in good/excellent condition, compared to 57.3% a year ago but still up compared to the 50.8% for the 10 year average. The long run average shows a 5.5 point decline in rating between mid June and mid July compared to a 9.3 point between mid June and mid July this year. US grain markets have been particularly volatile due to increasing dry conditions and the possibility that US grain yields may underperform trend levels, which make the basis of current USDA production forecasts.

- All indications are that fresh lean beef demand is in good shape. Some market participants noted that there are more foodservice establishments that want to serve hamburgers made with fresh beef, which should bolster demand for domestic fresh product. While we agree, we also think that lean beef market has benefited from retailers promoting ground beef more aggressively after the 4th of July holiday. Retailers promoted steak cuts quite actively in May and June, evidenced by all time record levels for ribeyes. The feature price of ground beef at retail remains quite attractive. The chart on page 1 shows the results of the latest USDA retail feature price survey, which pegged the average feature price for 80-89% lean ground beef at \$3.42/lb., down 4% from a year ago and down 10% from 2014 and 2015 levels. While the cost of lean and fat components is substantially higher than a year ago, this has yet to be reflected in

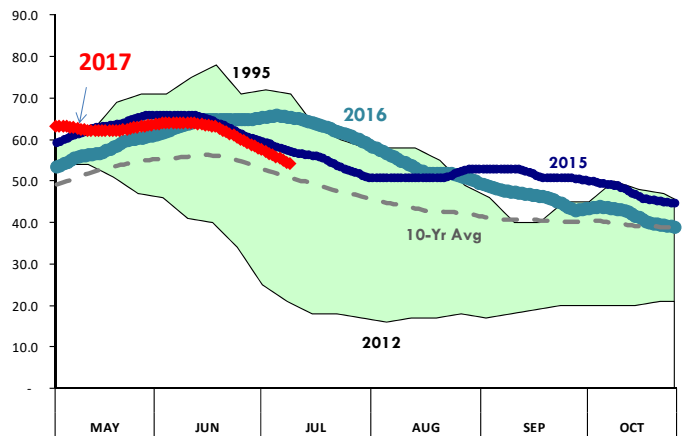
WEEKLY COW & BULL SLAUGHTER, '000 HEAD

Source: USDA



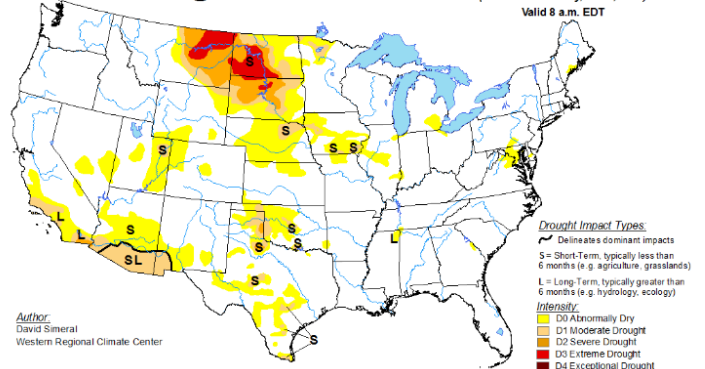
US PASTURE CONDITIONS: 20 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION, WEEK OF July 9, 2017. Source USDA/NASS



U.S. Drought Monitor

July 4, 2017
(Released Thursday, Jul. 6, 2017)
Valid 6 a.m. EDT



the retail counter. Until that happens consumers will continue to actively purchase ground beef.

- CME live cattle futures were up sharply today as market participants reacted to the results of a livestock auction showing packers paying higher prices than the previous week. Futures have sold off quite aggressively in recent weeks as participants expect beef prices to continue to slide into August. Feedlot inventories of market ready cattle are expected to increase in August

and September due to more cattle placed on feed in the spring. Packers were seen to be firmly in the drivers seat and despite very large margins, the expectation was for fed cattle values to continue to slip into August. Today's cash cattle trade, however, indicated that high feedlot turnover in June and July continues to keep front end supplies current. There are a lot of estimates out there of packer margins. We think at this point gross beef packer margins are well over \$400/head. Depending on your estimate of processing margins, net margins could top \$200 per head and above the lofty levels that were achieved last year

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 234 US cents on the top side, 1 cent higher than a week ago and 16 cents higher than year ago levels. **The weighted average price tonight was quoted at 233 cents, unchanged from a week ago.** 85CL beef trim price on the top side was quoted tonight at 208 cents, 2 cents lower than last week but still 12 cents higher than last year. The weighted average price for 85CL beef was 204 cents a pound, 1 cent lower than a week ago. 50CL beef price was 100 cents on the high side, 10 cents lower than a week ago but 5 cents higher than last year. On a weighted average basis, the price of 50CL beef is now 93 cents compared to 101 cents a week ago.

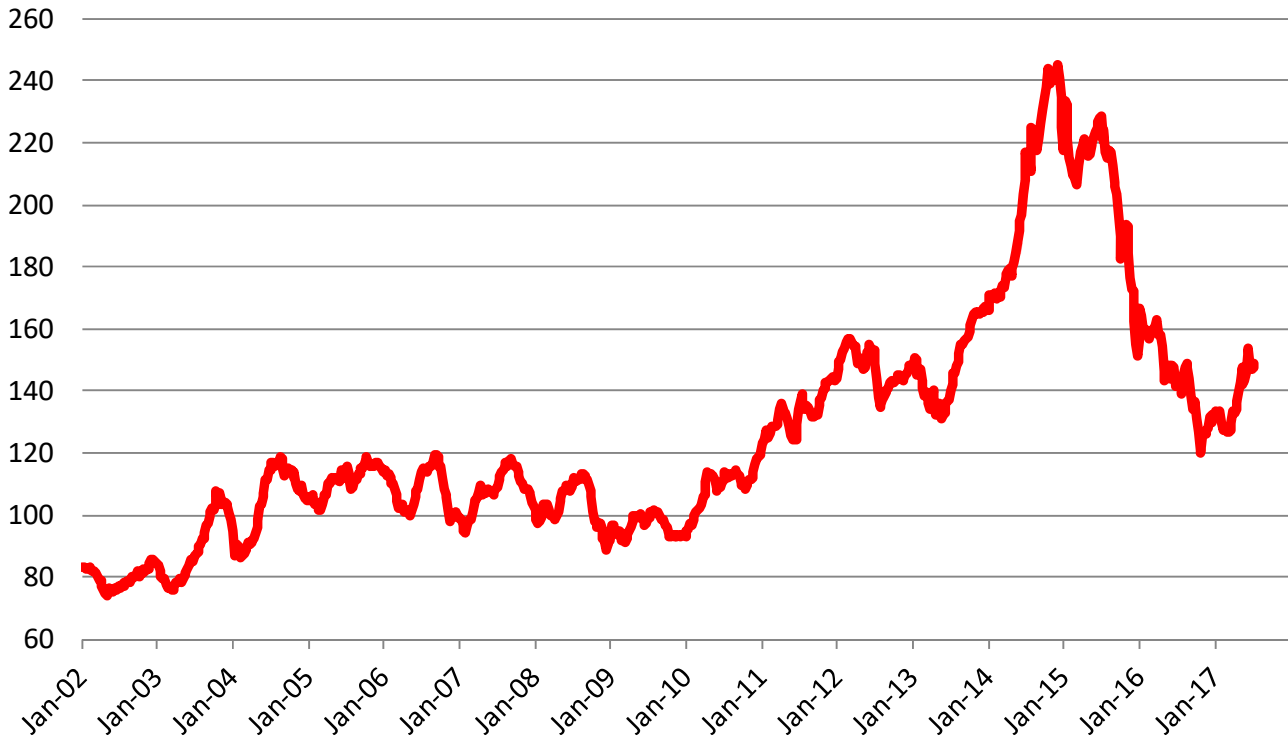
Prices for 42CL pork trim were mixed compared to a week ago. Prices for fat pork trim were lower while prices for lean pork trimmings generally steady to modestly higher. Pork trim values remain well above year ago levels.

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
	11-Jul-17	4-Jul-17		12-Jul-16	
CME FEEDER CATTLE INDEX	148.72	147.53	0.8%	144.72	2.8%
	12-Jul-17	5-Jul-17		13-Jul-16	
FED STEER (5-MKT AVG)	117.61	118.70	-0.9%	119.87	-1.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	122.50	123.00	-0.4%	140.50	-12.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	132.00	131.00	0.8%	138.00	-4.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	120.00	120.00	0.0%	128.00	-6.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	182.29	181.52	0.4%	172.79	5.5%

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
	12-Jul-17	24-Jul-17	5-Jul-17	19-Jul-17		13-Jul-16	20-Jul-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	241.0	242.0	241.0	244.0	-2.0	223.0	225.0	17.0
90 CL Blended Cow	221.0	223.0	225.0	230.0	-7.0	206.0	207.0	16.0
90 CL Shank	214.0	215.0	215.0	218.0	-3.0	203.0	205.0	10.0
85 CL Fores	207.0	208.0	208.0	210.0	-2.0	186.0	187.0	21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	238.0	239.0	239.0	242.0	-3.0	222.0	223.0	16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	206.0	207.0	208.0	209.0	-2.0	185.0	186.0	21.0
80 CL Trimmings	185.0	186.0		187.0	-1.0	168.0	169.0	17.0
75 CL Trimmings	171.0	172.0	171.0	175.0	-3.0	154.0	155.0	17.0
65 CL Trimmings		UNQ		135.0	N/A	101.0	102.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	280.0	285.0	-5.0	285.0	295.0	-15.0
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	250.0	255.0	-5.0	225.0	230.0	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	
	12-Jul-17	24-Jul-17	5-Jul-17	19-Jul-17		13-Jul-16	20-Jul-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>									
95 CL Bull, E. Coast	247.0	249.0	248.0	249.0	0.0	230.0	232.0	17.0	
90 CL Blended Cow	227.0	229.0	232.0	233.0	-4.0	214.0	215.0	14.0	
90 CL Shank	220.0	222.0	224.0	225.0	-3.0	212.0	213.0	9.0	
85 CL Fores	212.0	215.0	215.0	217.0	-2.0	194.0	195.0	20.0	
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A	
95 CL Bull, W. Coast		248.0		247.0	248.0	0.0	229.0	232.0	16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A	
<i>US East Coast, Trimmings, FOB US Port</i>									
85 CL Trimmings	212.0	213.0	213.0	215.0	-2.0	193.0	194.0	19.0	
80 CL Trimmings	193.0	194.0	194.0	195.0	-1.0	177.0	178.0	16.0	
75 CL Trimmings	179.0	180.0	179.0	180.0	0.0	164.0	165.0	15.0	
65 CL Trimmings	141.0	142.0	142.0	143.0	-1.0	108.0	109.0	33.0	
<i>US East Coast Australian Cuts, FOB US Port</i>									
Cap Off Steer Insides	285.0	290.0	289.0	290.0	0.0	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		260.0	265.0	-5.0	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
	12-Jul-17		5-Jul-17			13-Jul-16		
<u>Domestic Cutouts</u>								
Choice Cutout	212.69		222.58		-9.9	205.19		7.5
Select Cutout	198.73		205.32		-6.6	195.51		3.2
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	231.0	234.0	232.5	233.0	1.0	215.0	218.0	16.0
85 CL Beef Trimmings	203.0	208.0	195.5	209.6	-1.6	192.0	196.5	11.5
50 CL Beef Trim	89.0	100.3	94.4	110.1	-9.9	87.0	95.0	5.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	68.4	70.0	57.0	77.3	-7.3	36.0	50.3	19.8
72 CL Pork Trim	85.0	105.5	87.0	104.3	1.2	77.4	97.3	8.2
<u>Point of Lean Values</u>								
90 CL Domestic	260.0		258.9		1.1	242.2		17.8
50 CL Beef Trimming	200.5		220.3		-19.8	190.0		10.5
42 CL Pork Trim	166.7		183.9		-17.3	119.6		47.0
72 CL Pork Trim	146.5		144.8		1.7	135.1		11.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	117.61		118.70		-1.1	119.87		-2.3

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
	12-Jul-17	5-Jul-17			13-Jul-16		
<u>Live Cattle Futures</u>							
August '17	117.875	113.550	↑	4.33	111.450	↑	6.43
October '17	117.825	112.825	↑	5.00	110.350	↑	7.48
December '17	118.325	113.525	↑	4.80	112.150	↑	6.18
February '18	118.850	114.325	↑	4.52	112.125	↑	6.72
<u>Feeder Cattle Futures</u>							
August '17	151.750	142.225	↑	9.53	139.275	↑	12.48
September '17	151.675	142.725	↑	8.95	138.525	↑	13.15
October '17	150.000	142.275	↑	7.72	137.700	↑	12.30
November '17	148.275	141.750	↑	6.53	137.700	↑	10.58
<u>Corn Futures</u>							
July '17	376 1/4	381 3/4	↓	-5.50	365 3/4	↑	10.50
September '17	385 1/2	392	↓	-6.50	362	↑	23.50
December '17	398 3/4	404	↓	-5.25	369 3/4	↑	29.00
March '18	408 1/2	413 1/4	↓	-4.75	377 1/4	↑	31.25
<u>Ch Wheat Futures</u>							
July '17	522 1/2	539 1/4	↓	-16.75	426 1/4	↑	96.25
September '17	537	560	↓	-23.00	439 3/4	↑	97.25
December '17	560 1/2	580	↓	-19.50	463	↑	97.50
March '18	578 3/4	593 1/2	↓	-14.75	482	↑	96.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	12-Jul-17	5-Jul-17			13-Jul-16		
<u>Total Cattle Slaughter</u>	674,000	517,000	↑	157,000	637,000	↑	37,000
	24-Jun-17	17-Jun-17			25-Jun-16		
<u>Total Cow Slaughter</u>	109,748	111,384	↓	-1,636	97,000	↑	12,748
<u>Dairy Cow Slaughter</u>	53,242	53,576	↓	-334	49,000	↑	4,242
<u>Beef Cow Slaughter</u>	56,506	57,808	↓	-1,302	48,000	↑	8,506

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

YTD Imported Meat Passed for Entry in the US

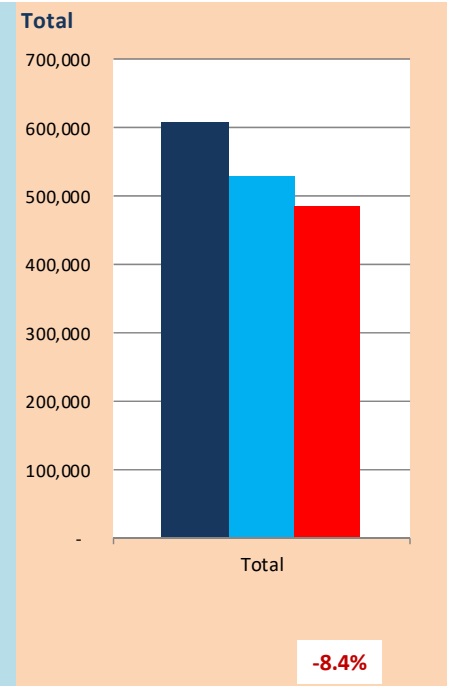
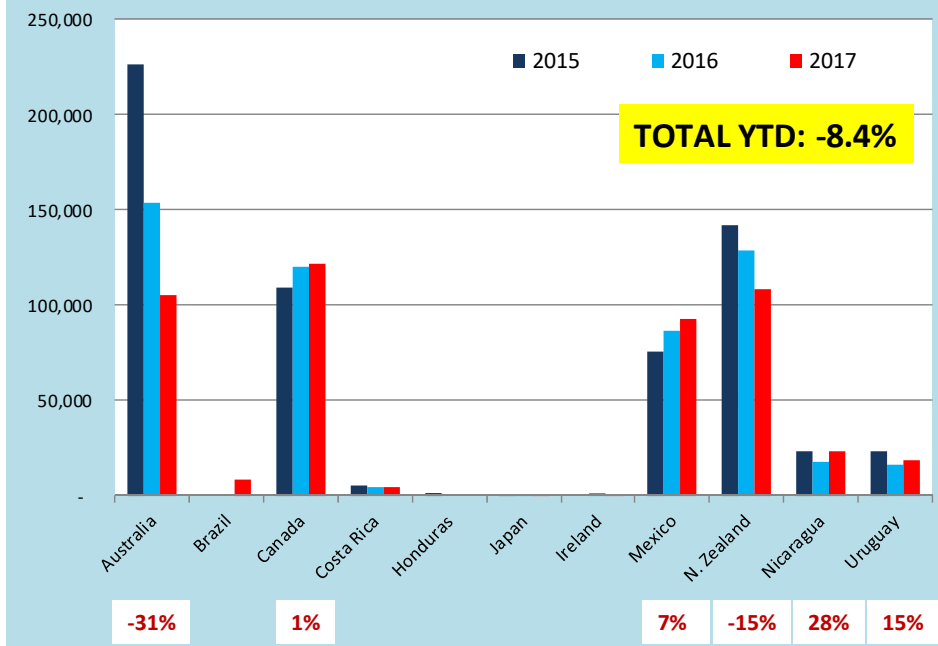
week 26	6/25/2016	7/1/2017		
Australia	153,869	105,774	(48,095)	-31.3%
Brazil	-	8,951		
Canada	120,593	122,074	1,481	1.2%
Chile	276	202	(74)	-26.8%
Costa Rica	4,981	4,443	(538)	-10.8%
Honduras	-	-	-	
Japan	112	209	97	86.6%
Ireland	1,350	1,040	(310)	-23.0%
Mexico	86,528	92,618	6,090	7.0%
New Zealand	128,555	108,885	(19,670)	-15.3%
Nicaragua	18,075	23,080	5,005	27.7%
Uruguay	16,187	18,589	2,402	14.8%
Total	530,526	486,024	(44,502)	-8.4%

Source: USDA/FSIS

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

Imports as of July 1, 2017

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

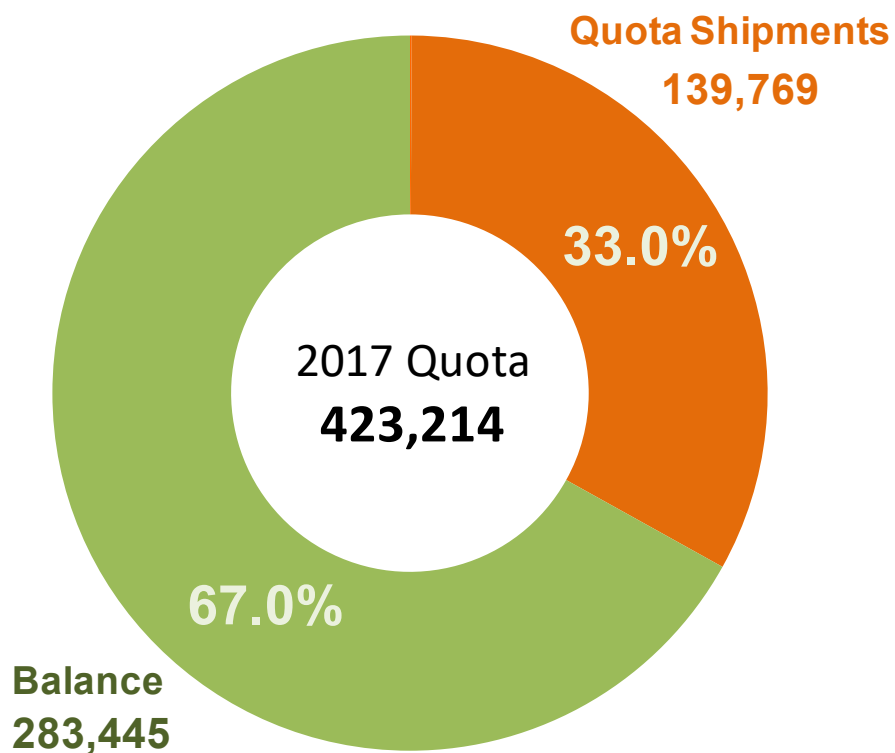


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

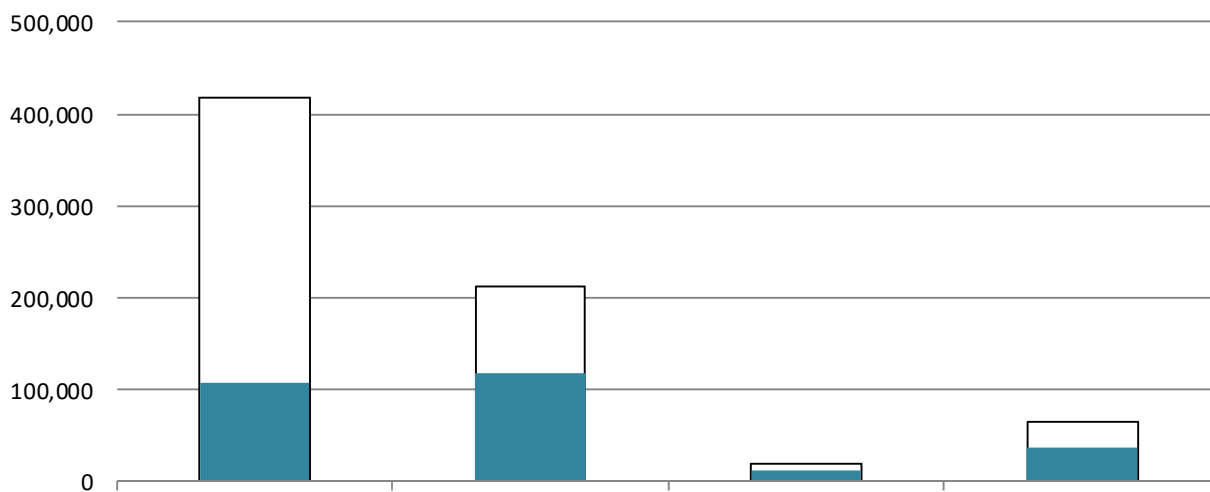
10-Jul-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending July 10

Source: US Customs



	Australia	New Zealand	Uruguay	Other
2016 YTD	147,394,560	129,903,617	8,929,018	22,442,390
2017 YTD	107,923,017	117,968,473	12,034,113	38,212,929
% ch.	-27%	-9%	35%	70%
Quota	418,214,000	213,402,000	20,000,000	64,805,000
% cleared	26%	55%	60%	59%