



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume XVII, Issue 29

July 19, 2017

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Market Highlights for the Week:

- Imported beef prices continued to move lower this week as end users grow increasingly cautious
- Domestic lean grinding beef seasonally declines in the fall and market participants wary of a similar decline as in the last two years
- Availability of imported beef remains limited as New Zealand now at seasonal lows.
- Spread between domestic fresh and frozen imported beef effectively at zero,
- 50CL domestic beef trim prices finally start to decline as steer weights move seasonally higher and grilling demand ebbs
- Weak US dollar adds to challenges of selling beef to the US
- No timetable for resumption of Brazil fresh beef exports to the US
- Cattle on feed inventory on July 1 estimated at +2.8% vs. year ago

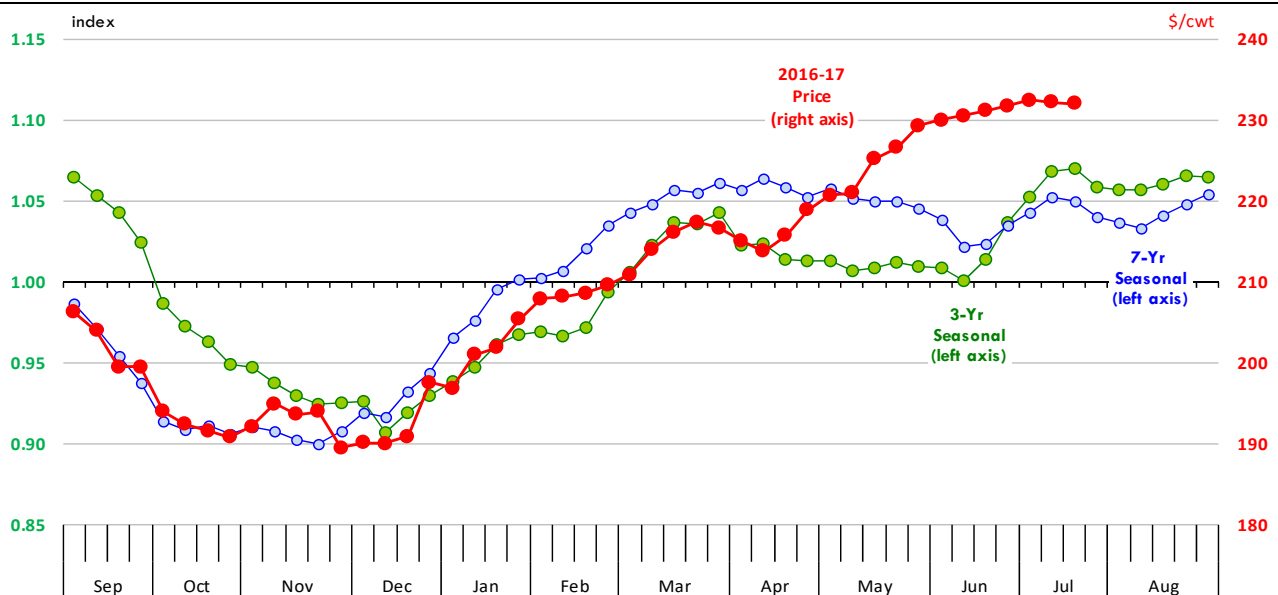
Imported Market Activity for the Week

Prices for imported beef in the US market continued to hold a soft undertone this week as buyers are reluctant to take forward positions given the normal seasonal tendency for lean beef prices to decline into the fall (see chart below). The sharp selloff in fed cattle futures earlier in the week and anticipation of more cattle placed on feed in June also added to the general bearish view on the part of US buyers. Overseas offerings, on the other hand, remain lim-

ited although there were attempts to try and bridge the gap between current offerings with the much lower bids from US buyers. Some market participants noted that getting bids from US end users for forward deliveries has become a challenge and has contributed to the difficult trading environment. New Zealand supplies are at seasonal lows at this time and offerings from other markets, whether Uruguay or Nicaragua, also are quite thin at this point. The weak US dollar has further complicated matters and added to an already challenging market.

Seasonality of Fresh US Domestic 90CL Beef Trim

Current Price vs. 3-Yr and 7-Yr Seasonal

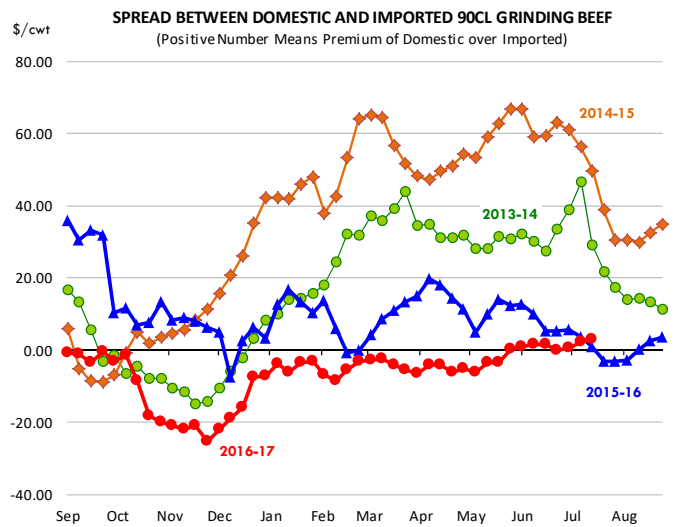


Key points for this week:

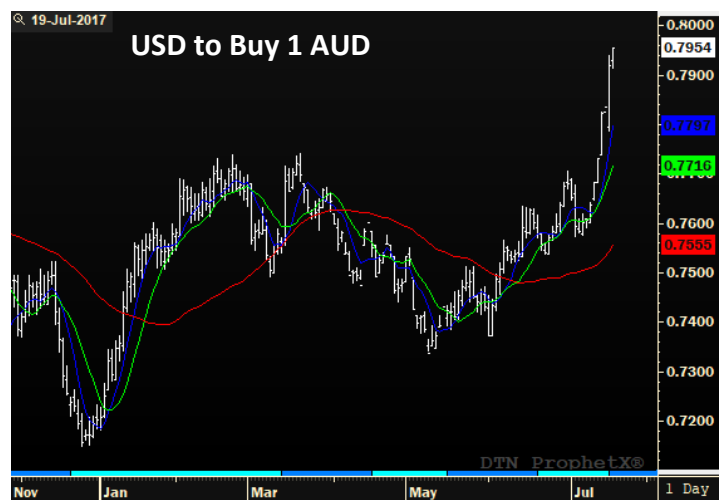
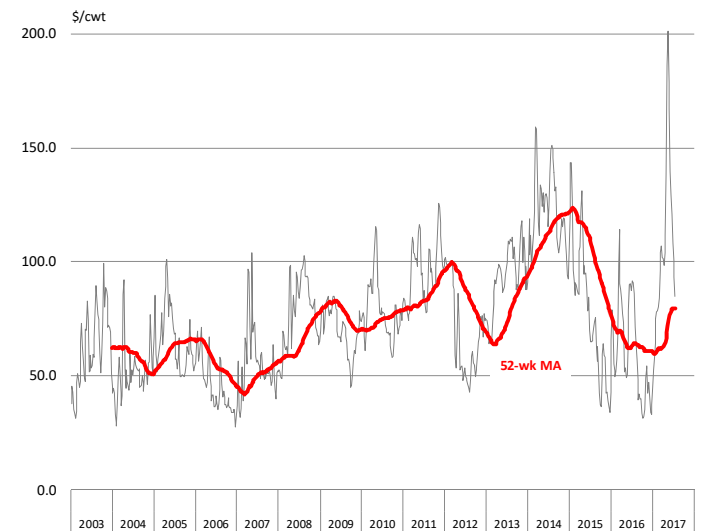
- As the chart on page 1 shows, there is a strong seasonal tendency for domestic lean grinding beef prices to decline in Sep-Nov. Largely this reflects the impact of more cull cows becoming available before winter. In the last two years this has been further compounded by the tendency of fed cattle futures to move lower in October. There is a lot of debate as to why that has been the case but largely we think it was a function of producers falling behind in their marketings and losing leverage. This year we have seen a notable increase in the number of cattle placed on feed during the spring and this is expected to once again bolster cattle availability/beef supplies during the fall. The difference so far has been the ability of feedlots/packers to maintain a very robust marketing rate. Beef demand both domestically in the US and in export markets has been excellent and that has allowed US feedlots to stay very current despite the higher placements. Since last November, US feedlots have placed almost 1.4 million cattle more on feed than the same period the previous year. And yet the front end feedlot supply (i.e. cattle that have been on feed for +120days) is about 10% under year ago levels. The risk for the market, and something reflected in the bearish sentiment of some market participants, is that a slowdown in marketings could quickly cause feedlots to fall behind and put downward pressure on cattle prices this fall. As we have often noted in this report, there is a strong relationship between fed steer prices in the US and the price of 90CL boneless beef.

- The price of 50CL beef continues to decline on a combination of seasonally higher steer weights, seasonally weaker ground beef demand and still quite high fed cattle slaughter rates. Current price of 50CL beef stands at 85 cents per pound, down from the all time record \$2 per pound back in May. However, current price is in line with fed cattle values and we think better reflects market conditions. Lower fat trim prices should help lower overall meat block costs for patty manufacturers and offset the still very high price for lean grinding beef.

- Imported beef continues to trade at par with domestic beef and that is not expected to change in the short term. Supplies of lean grinding beef from Australia remain limited and barring a surge in Australian slaughter in the next three months, that is unlikely to change. Our expectation is for imported beef to trade at a discount to domestic by early 2018 as both Australian and New Zealand supplies are expected to increase.



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



- Brazil is not expected to resume shipments of fresh beef to the US in the near future. The recent meeting of the top ag officials from US and Brazil did not pro-

duce a timeline for resumption of trade. A Reuters report summarized the meeting result as “Brazil needs to make progress on inspections before any timeline can be set to end a US ban”

- A new case of non typical BSE was found in an Alabama cow yesterday but the news had no impact on cattle futures, which rose by more than 200 points in trading today. Market participants do not anticipate this will cause any disruptions to US trade and previous similar findings had no impact on domestic demand

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.

Cattle on Feed Estimates

Last month, USDA reported that feedlots with +1000 head capacity had about 11.1 million head of cattle on feed, 292,000 head (+2.7%) more than the previous year. Analysts polled by Urner Barry ahead of this month’s report expect July 1 on feed numbers to be up by a similar amount (290k, +2.8%). Feedlots have placed more cattle on feed the last six months but they have also marketed them fairly aggressively. June fed cattle slaughter (based on actual daily slaughter) was 4.5% higher than a year ago, which is about the same y/y increase analysts are using. If they are right, it would imply feedlot marketings in June of 2 million head, 88k head more than a year ago and the largest monthly marketing number since June 2011. It is quite impressive that the value of the beef cutout in June 2017 averaged around \$130/cwt, about 20% higher than back in 2011. Robust

domestic and export demand has benefited the beef industry this past spring and summer. And despite the trepidation caused by larger supplies fed cattle numbers available this fall, the improvement in demand should continue to bolster beef/cattle values going forward.

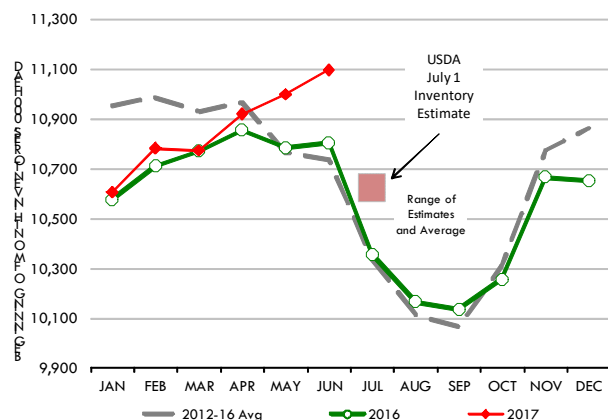
The analyst survey did not reveal great disagreements about the number of cattle placed on feed during June although one could point to factors that may push the placement numbers outside of the range of predictions. Fed cattle prices and the beef cutout was particularly strong in the first half of June while feed costs tumbled lower in the second half of the month. The incentives were quite strong for feedlots to go out there and try to bring as many feeders in. Drought conditions in the Dakotas were not as big an issue as today but they had started to have an effect so that also may have played a role in pushing some calves onto feedlots. The last USDA report showed that feedlots had to dig deeper in the feeder supply and it is possible we will once again see placements skew light. This is always something to consider when reviewing the placement numbers and projecting when some of those cattle will be available for marketing. All of the above support the view that placements should be higher and some regional reports indicate a significant increase in the number of cattle placed on feed during June. But not all data support the view of a big increase in placements. Feeder cattle imports from Mexico and Canada in June were down 15% from a year ago.

July 2017 COF Pre-Report Estimates. Urner Barry Survey
percent of year ago volumes. 10 analysts surveyed

	Average of Estimates	Implied Cattle #	Range of Estimates
On Feed Jul 1	102.8%	10,646	102.1% - 103.0%
Placed on Feed in Jun	105.9%	1,615	103.1% - 107.0%
Marketed in Jun	104.6%	2,000	104.1% - 105.2%

USA Cattle on Feed Inventory

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA

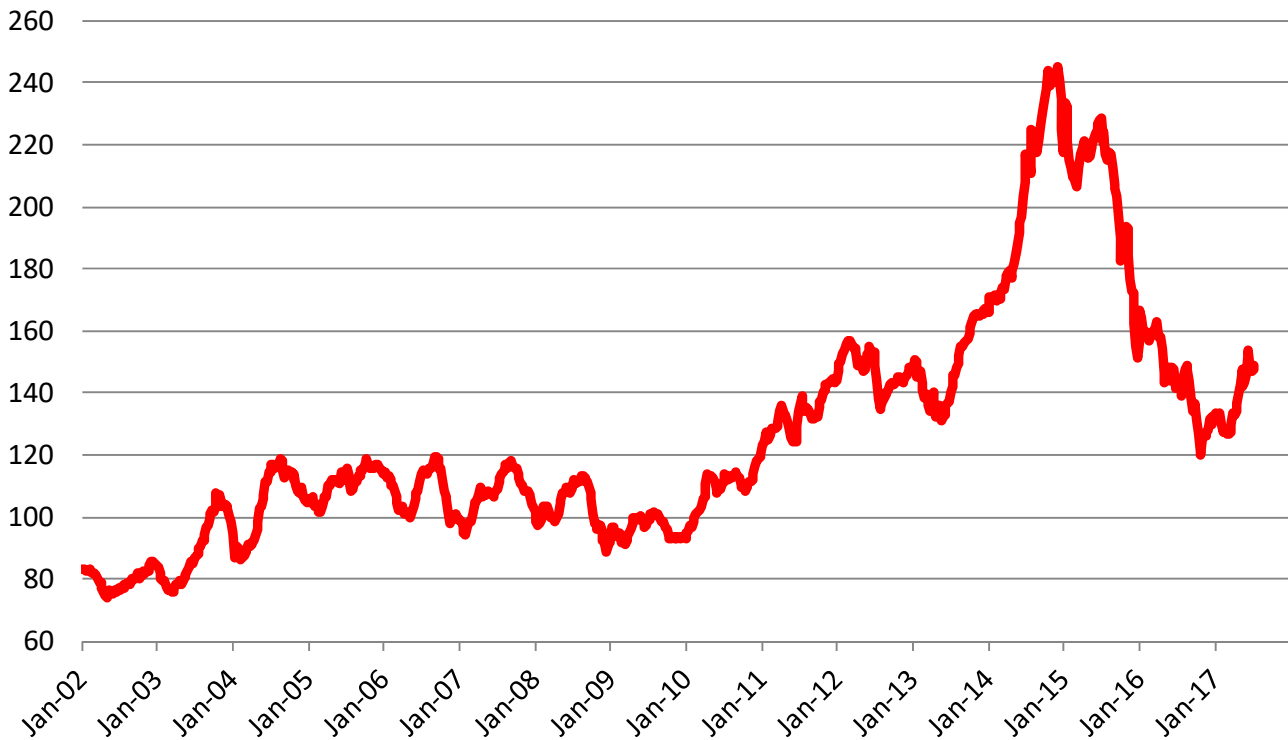


CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	18-Jul-17	11-Jul-17		19-Jul-16	
CME FEEDER CATTLE INDEX	149.16	148.72	0.3%	141.28	5.6%
	19-Jul-17	12-Jul-17		20-Jul-16	
FED STEER (5-MKT AVG)	119.50	117.61	1.6%	116.91	2.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	120.50	122.50	-1.6%	134.50	-10.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	131.50	132.00	-0.4%	139.00	-5.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	120.00	120.00	0.0%	125.00	-4.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	181.50	#N/A	#N/A	171.52	5.8%

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
	19-Jul-17	239.0	12-Jul-17	242.0		20-Jul-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	238.0	239.0	241.0	242.0	-3.0	227.0	229.0	10.0
90 CL Blended Cow	218.0	220.0	221.0	223.0	-3.0	209.0	212.0	8.0
90 CL Shank	208.0	210.0	214.0	215.0	-5.0	209.0	210.0	0.0
85 CL Fores	204.0	205.0	207.0	208.0	-3.0	189.0	192.0	13.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	237.0	238.0	238.0	239.0	-1.0	227.0	228.0	10.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	203.0	204.0	206.0	207.0	-3.0		190.0	14.0
80 CL Trimmings	184.0	185.0	185.0	186.0	-1.0	169.0	170.0	15.0
75 CL Trimmings	167.0	170.0	171.0	172.0	-2.0	158.0	161.0	9.0
65 CL Trimmings		130.0		UNQ	N/A	101.0	102.0	28.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	275.0	280.0	-5.0	280.0	290.0	-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	245.0	250.0		250.0	0.0	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
	19-Jul-17	247.0	12-Jul-17	249.0		20-Jul-16	235.0	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	246.0	247.0	247.0	249.0	-2.0	234.0	235.0	12.0
90 CL Blended Cow	227.0	228.0	227.0	229.0	-1.0	216.0	218.0	10.0
90 CL Shank	220.0	222.0	220.0	222.0	0.0	213.0	214.0	8.0
85 CL Fores	210.0	212.0	212.0	215.0	-3.0	196.0	198.0	14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	245.0	246.0		248.0	-2.0	232.0	233.0	13.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	210.0	211.0	212.0	213.0	-2.0	196.0	197.0	14.0
80 CL Trimmings	192.0	193.0	193.0	194.0	-1.0	176.0	177.0	16.0
75 CL Trimmings	179.0	180.0	179.0	180.0	0.0	166.0	167.0	13.0
65 CL Trimmings	138.0	140.0	141.0	142.0	-2.0	112.0	114.0	26.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	280.0	285.0	285.0	290.0	-5.0	290.0	300.0	-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	250.0	255.0		260.0	-5.0	240.0	245.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	19-Jul-17		12-Jul-17			20-Jul-16		
<u>Domestic Cutouts</u>								
Choice Cutout	207.73		212.69		-5.0	201.31		6.4
Select Cutout	195.49		198.73		-3.2	191.01		4.5
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	232.0	233.0	231.0	234.0	-1.0	209.6	219.3	13.7
85 CL Beef Trimmings	198.0	210.0	203.0	208.0	2.0	187.0	191.0	19.0
50 CL Beef Trim	78.0	95.8	89.0	100.3	-4.5	86.0	98.0	-2.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	68.0	78.3	68.4	70.0	8.3	44.0	54.0	24.3
72 CL Pork Trim	89.8	108.3	85.0	105.5	2.8	77.0	115.8	-7.5
<u>Point of Lean Values</u>								
90 CL Domestic	258.9		260.0		-1.1	243.7		15.2
50 CL Beef Trimming	191.5		200.5		-9.0	196.0		-4.5
42 CL Pork Trim	186.3		166.7		19.6	128.6		57.7
72 CL Pork Trim	150.3		146.5		3.8	160.8		-10.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	119.50		117.61		1.9	116.91		2.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From		Last Year	Change From	
	19-Jul-17	12-Jul-17	Last Week		20-Jul-16	Last Year	
<u>Live Cattle Futures</u>							
August '17	117.275	117.875	↓	-0.60	109.425	↑	7.85
October '17	118.875	117.825	↑	1.05	108.075	↑	10.80
December '17	119.675	118.325	↑	1.35	109.800	↑	9.88
February '18	120.325	118.850	↑	1.48	110.075	↑	10.25
<u>Feeder Cattle Futures</u>							
August '17	154.500	151.750	↑	2.75	138.625	↑	15.88
September '17	154.450	151.675	↑	2.77	137.575	↑	16.88
October '17	152.950	150.000	↑	2.95	136.425	↑	16.53
November '17	151.475	148.275	↑	3.20	136.425	↑	15.05
<u>Corn Futures</u>							
September '17	382 1/2	385 1/2	↓	-3.00	337 1/2	↑	45.00
December '17	396 1/4	398 3/4	↓	-2.50	344 1/4	↑	52.00
March '18	407	408 1/2	↓	-1.50	353 1/4	↑	53.75
May '18	412 1/4		↑	412.25	359	↑	53.25
<u>Ch Wheat Futures</u>							
September '17	503	537	↓	-34.00	413	↑	90.00
December '17	526 3/4	560 1/2	↓	-33.75	436	↑	90.75
March '18	546 1/2	578 3/4	↓	-32.25	459	↑	87.50
May '18	557		↑	557.00	472 1/2	↑	84.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From		7 Days Ending	Change From	
	19-Jul-17	12-Jul-17	Last Week		20-Jul-16	Last Year	
<u>Total Cattle Slaughter</u>	619,000	674,000	↓	-55,000	592,000	↑	27,000
	1-Jul-17	24-Jun-17			2-Jul-16		
<u>Total Cow Slaughter</u>	111,214	109,748	↑	1,466	101,900	↑	9,314
<u>Dairy Cow Slaughter</u>	54,796	53,242	↑	1,554	51,200	↑	3,596
<u>Beef Cow Slaughter</u>	56,418	56,506	↓	-88	50,700	↑	5,718

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

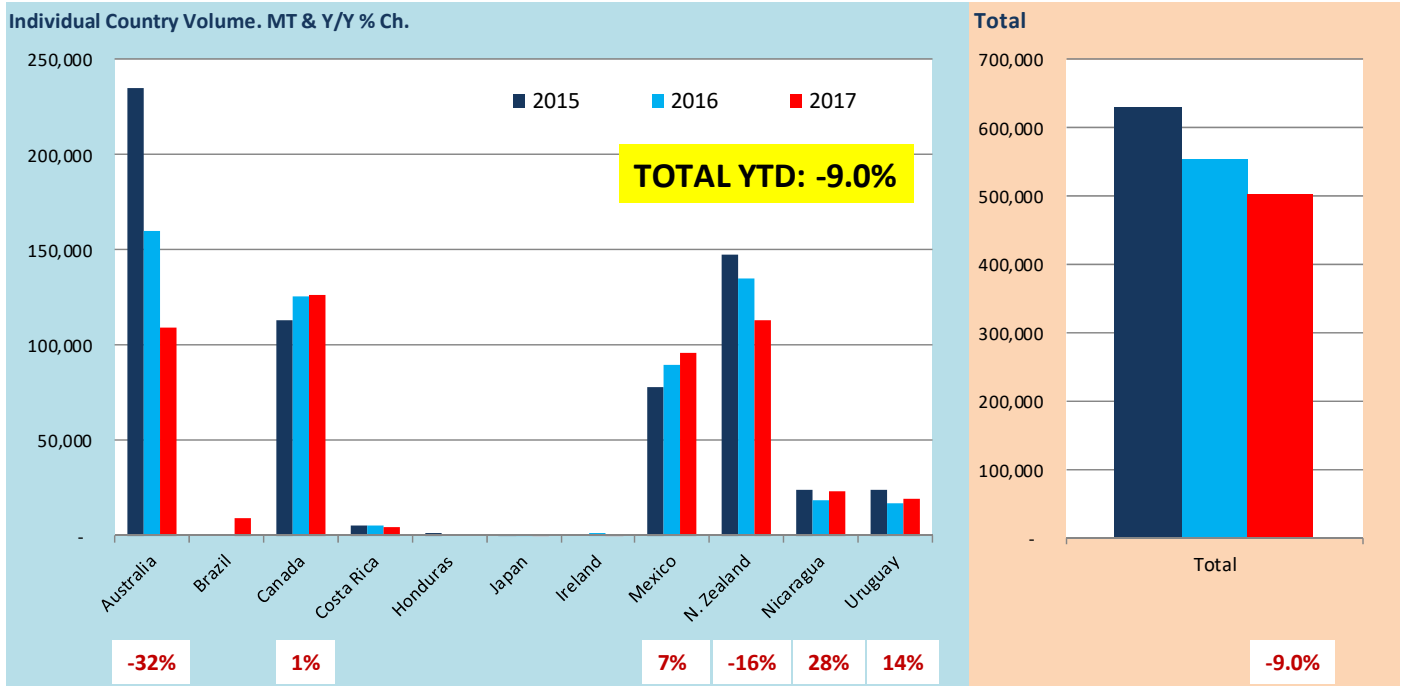
YTD Imported Meat Passed for Entry in the US

week 27	7/2/2016	7/8/2017		
Australia	160,160	109,277	(50,883)	-31.8%
Brazil	-	8,993		
Canada	125,390	126,569	1,179	0.9%
Chile	276	202	(74)	-26.8%
Costa Rica	5,176	4,591	(585)	-11.3%
Honduras	-	-	-	
Japan	118	215	97	82.2%
Ireland	1,373	1,065	(308)	-22.4%
Mexico	89,901	96,139	6,238	6.9%
New Zealand	135,205	113,396	(21,809)	-16.1%
Nicaragua	18,353	23,451	5,098	27.8%
Uruguay	16,859	19,173	2,314	13.7%
Total	552,810	503,262	(49,548)	-9.0%

Source: USDA/FSIS

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

Imports as of July 8, 2017

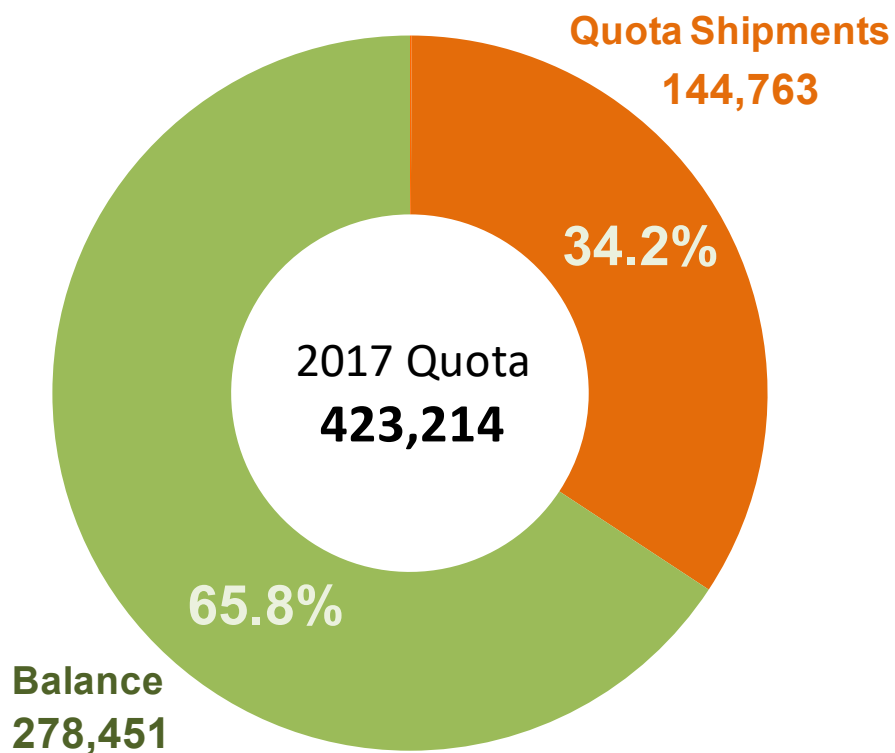


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

17-Jul-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending July 17

Source: US Customs

