



# 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 were notably lower this week as overseas packers were more actively looking for US orders and willing to discount to book deliveries for September and October
- Sharp decline in US fed cattle futures and reports of larger than expected cattle supplies likely impacted US end user demand, with buyers not more comfortable sitting on the sidelines
- Market participants also noting that cattle slaughter in Australia and New Zealand has been running above year ago levels and cattle prices in Australia now consistently below year ago levels
- US beef cow herd now 6.6% larger than it was just two years ago
- US calf crop continues to expand and should bolster cattle/beef supplies through at least 2019
- Our (conservative) estimate for beef cow slaughter at +12% for Q3 and +15% for Q4. Dairy cow slaughter expected to be up 3-4% but has the potential to be a lot bigger should milk/cheese prices continue to slump
- US feedlots placed almost 900,000 more cattle on feed during Mar-Jun than a year ago, bolstering cattle availability during the fall.

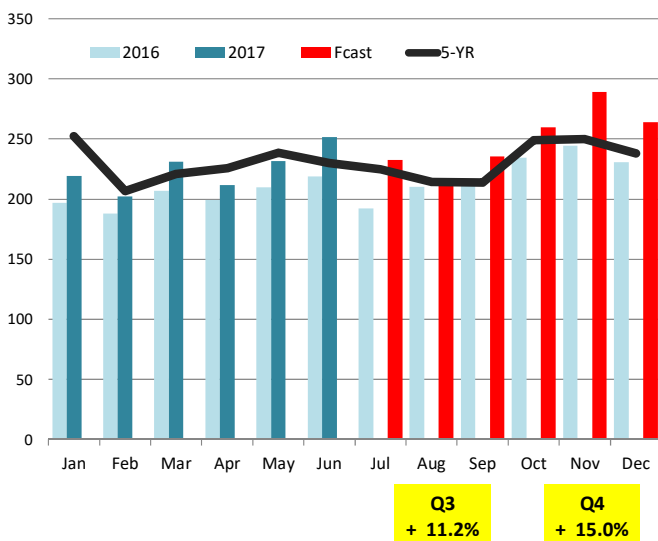
## Imported Market Activity for the Week

Prices for imported beef in the US market were notably lower this week but trading was generally quite thin. Market participants noted that the lack of bids from US end users is starting to have an impact, especially as overseas packers look to put some orders on the books for September and October delivery. While there is no debate that spot supplies remain quite thin, at this point the focus is on supplies/prices for the fall market and asking prices for

those time slots are notably lower. It should be pointed out that the weaker trading this week came even as the AUD and NZD moved higher relative to the US. Some market participants noting the higher slaughter in Australia in recent weeks, contributing to the increase in overall availability. There were also reports of Asia demand softening up a bit, which is rather common for this time of year. We asked participants if they thought the recent weakness may have also been affected by the recent news of China delisting a number of Australian plants and

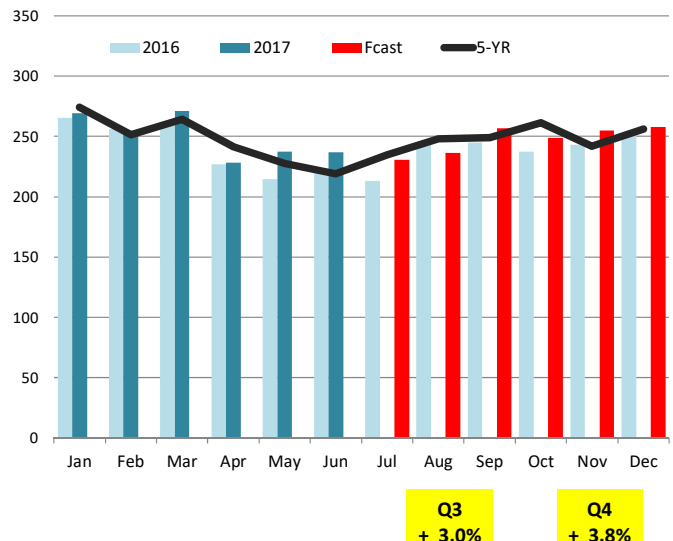
### Monthly Beef Cow Slaughter: Actual + Steiner Estimates. '000 head

Data Source: USDA + Steiner Estimates Based on Mid-Year Cattle Inventory Results



### Monthly Dairy Cow Slaughter: Actual + Steiner Estimates. '000 head

Data Source: USDA + Steiner Estimates Based on Mid-Year Cattle Inventory Results



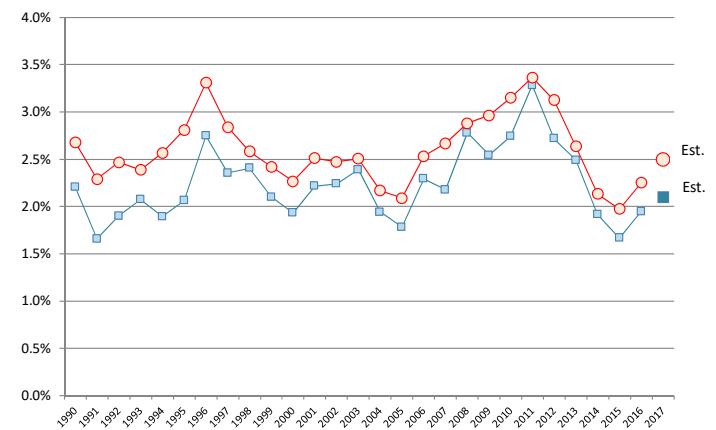
for the most part they did not think that had a material impact. However, it would seem that the news may have contributed to the generally bearish atmosphere. US domestic lean beef prices remain quite firm at this time but lower fed cattle prices for October and expectations of ongoing large fed and non fed slaughter in the US likely has caused US end users to become even more reluctant in bidding for forward deliveries.

Market Factors

- October Fed cattle futures were higher today but they have lost about 5% in the last week following a bearish cattle on feed and cattle inventory report. US feedlots have placed significantly more cattle on feed than a year ago in the last few months and this should continue to bolster fed cattle supplies during the fall months. There will be strong incentive for feedlots and packers to offer competitive prices in order to maintain the marketing rate.
- **The US cattle industry has recovered quite rapidly in the last three years**, evidenced in the rapid increase of the beef cow herd and the number of calves coming to market (calf crop). The beef cow herd in January was estimated at 31.21 million head, 3.5% larger than the previous year and 6.5% higher than two years ago. USDA did not conduct a survey last July so we do not have a basis for comparison but for July 1, 2017 the **beef cow herd was estimated at 32.5 million head, 6.6% higher than in 2015**. The July cow herd tends to be larger than the January count because bred heifers are not considered part of the cow herd until they drop a calf in the spring. The survey also indicated that the dairy herd continues to expand, something that we have seen in the monthly dairy inventory numbers as well. The dairy herd on July 1 was up 1.1% from two years ago. By far, however, the primary factor for the increase in beef supplies is the expansion of the beef cow herd. The larger herd implies a continued increase in the size of the calf crop.
- The charts on page 1 reflect our estimate of monthly and quarterly cow slaughter for the remainder of this year. If anything our estimates are relatively conservative and one of the key assumptions is that producer profitability is maintained for the remainder of this year. Drought conditions so far have been fairly localized and we do not think have contributed to the recent increase in cow slaughter. The charts above show the ratio of Q3 and Q4 slaughter esti-

Ratio of Q3 & Q4 Beef Cow Slaughter vs. July 1 Beef Cow Inventories

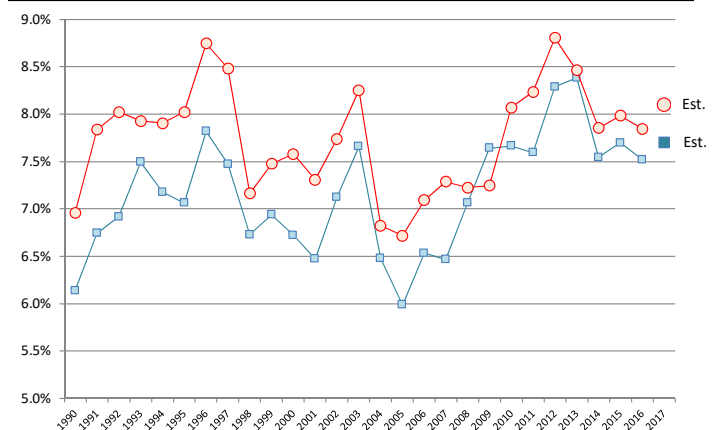
Source: USDA & Steiner



\*\* Note: USDA did not report cow inventories for 2013 & 2016. Those years are estimated by Steiner

Ratio of Q3 & Q4 Dairy Cow Slaughter vs. July 1 Beef Cow Inventories

Source: USDA & Steiner



\*\* Note: USDA did not report cow inventories for 2013 & 2016. Those years are estimated by Steiner

mates relative to the July 1 beef/dairy cow inventory.

- **USDA estimates the calf crop for 2017 at 36.3 million head, the largest calf crop of the last ten years.** If correct, this would represent a 3.5% increase over the calf crop produced last year and 6.5% higher than two years ago. The increase in the calf crop provides context to the steady increase in the number of cattle placed on feed. The feeder supply on July 1 was estimated by USDA at 37 million head, 1.6 million head (+4.5%) larger than it was on July 1, 2015. Cow herd expansion may be coming to an end, however as beef cow replacement numbers at 4.7 million head were 100,000 head (-2%) less than a year ago.

Larger domestic cow slaughter moderately bearish implications for US grinding beef prices in the short to medium term. It is not unusual for grinding beef prices to move lower into the fall, something that we pointed out in our report last week. The larger beef and dairy cow inventories hold the potential for significant increases in grinding beef supplies, especially if we see further erosion in cow-calf margins or if feed costs escalate. One can run scenarios where beef cow slaughter could increase by +20% this fall, especially if we see fed cattle values collapse as they did last year. For now US grinding beef prices are holding quite well and we expect demand to be robust going into the Labor Day weekend (first Monday in September). Beef demand has been quite strong this past spring and so far in the summer. Whether that is sustained into the fall, especially with more pork and chicken expected to come to market, that remains to be seen.

### **Domestic Price Summary**

Prices for 90CL boneless beef were quoted at 233 US cents on the top side, unchanged vs a week ago but still 14 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 207 cents, 3 cents lower than last week but still 7 cents higher than last year. The weighted average price for 85CL beef was 203 cents a pound, 1 cent lower than a week ago. 50CL beef price was unquoted tonight but last night it closed at 107 cents on the high side. Prices for fat beef trim have declined from the all time record highs in late May but appear to have stabilized in the last two weeks. Fat trim supplies should continue to expand as we go into the fall due to still relatively large weekly fed slaughter and heavier steers coming to market.

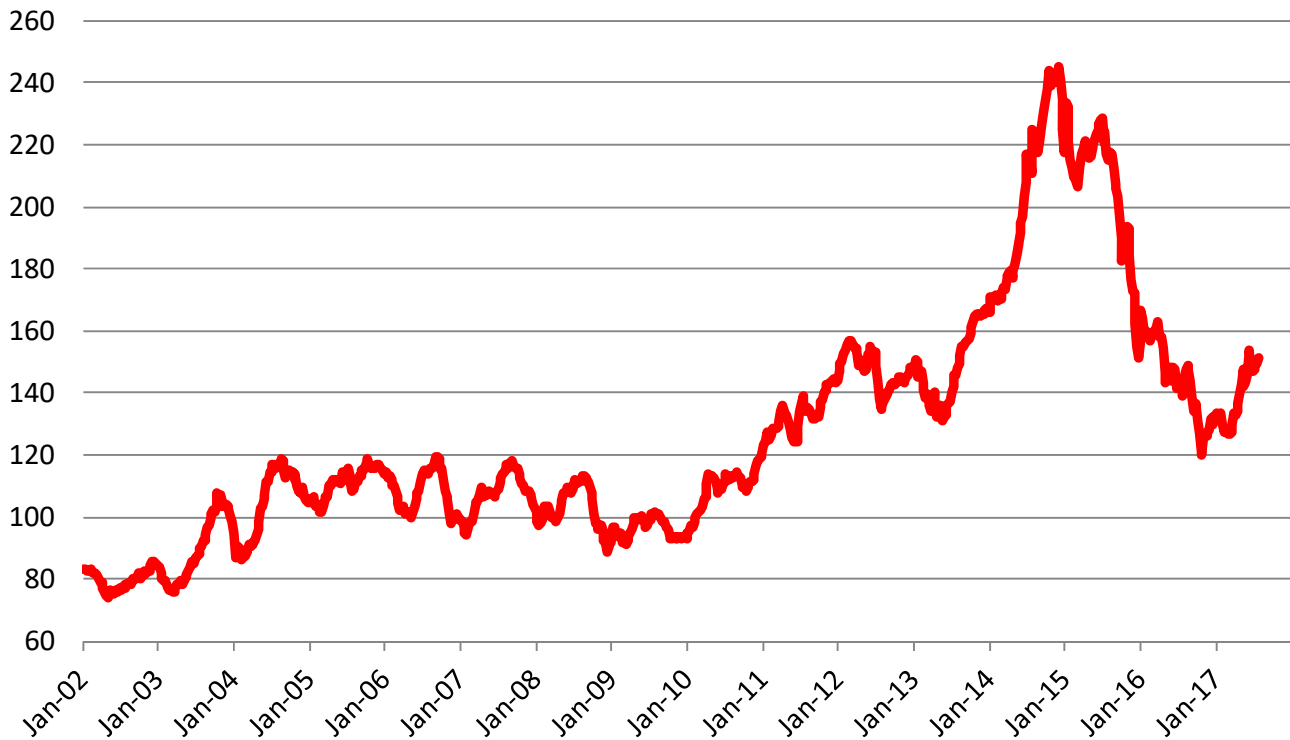
Prices for 42CL and 72CL pork trim remain substantially above year ago levels.

# 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
	25-Jul-17	18-Jul-17		26-Jul-16	
CME FEEDER CATTLE INDEX	151.57	149.16	1.6%	139.26	8.8%
	26-Jul-17	19-Jul-17		27-Jul-16	
FED STEER (5-MKT AVG)	119.22	119.50	-0.2%	114.60	4.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	120.50	120.50	0.0%	141.00	-14.5%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	129.50	131.50	-1.5%	137.00	-5.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	120.00	120.00	0.0%	127.00	-5.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	181.02	181.50	-0.3%	171.72	5.4%

## 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
	26-Jul-17	23-Jul-17	19-Jul-17	16-Jul-17		27-Jul-16	20-Jul-16	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	230.0	234.0	238.0	239.0	-5.0	227.0	229.0	5.0
<b>90 CL Blended Cow</b>	210.0	214.0	218.0	220.0	-6.0	210.0	212.0	2.0
<b>90 CL Shank</b>	207.0	208.0	208.0	210.0	-2.0	205.0	207.0	1.0
<b>85 CL Fores</b>	202.0	203.0	204.0	205.0	-2.0	188.0	191.0	12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	230.0	231.0	237.0	238.0	-7.0	227.0	228.0	3.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	200.0	202.0	203.0	204.0	-2.0	188.0	190.0	12.0
<b>80 CL Trimmings</b>	178.0	180.0	184.0	185.0	-5.0	170.0	171.0	9.0
<b>75 CL Trimmings</b>	167.0	168.0	167.0	170.0	-2.0	161.0	163.0	5.0
<b>65 CL Trimmings</b>	125.0	127.0		130.0	-3.0	108.0	110.0	17.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	270.0	275.0	270.0	275.0	0.0	280.0	290.0	-15.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	210.0	215.0	N/A
<b>Steer Knuckles</b>	245.0	250.0	245.0	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
	26-Jul-17	24-Jul-17	19-Jul-17	17-Jul-17		27-Jul-16	27-Jul-16	
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	240.0	243.0	246.0	247.0	-4.0	234.0	235.0	8.0
<b>90 CL Blended Cow</b>	220.0	221.0	227.0	228.0	-7.0	217.0	218.0	3.0
<b>90 CL Shank</b>	217.0	218.0	220.0	222.0	-4.0	212.0	213.0	5.0
<b>85 CL Fores</b>	209.0	210.0	210.0	212.0	-2.0	197.0	198.0	12.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	240.0	241.0	245.0	246.0	-5.0	233.0	234.0	7.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><i>US East Coast, Trimmings, FOB US Port</i></b>								
<b>85 CL Trimmings</b>	208.0	209.0	210.0	211.0	-2.0	196.0	197.0	12.0
<b>80 CL Trimmings</b>	189.0	190.0	192.0	193.0	-3.0	178.0	179.0	11.0
<b>75 CL Trimmings</b>	177.0	178.0	179.0	180.0	-2.0	169.0	170.0	8.0
<b>65 CL Trimmings</b>	134.0	135.0	138.0	140.0	-5.0	118.0	119.0	16.0
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0	280.0	285.0	0.0	290.0	300.0	-15.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A	230.0	235.0	N/A
<b>Steer Knuckles</b>	250.0	255.0	250.0	255.0	0.0	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
	26-Jul-17		19-Jul-17			27-Jul-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	207.07		207.73		-0.7	199.08		8.0
Select Cutout	197.87		195.49		2.4	190.05		7.8
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	232.0	233.0	232.0	233.0	0.0	213.0	219.3	13.7
85 CL Beef Trimmings	203.0	207.0	198.0	210.0	-3.0	188.0	200.4	6.6
50 CL Beef Trim	89.0	107.1	78.0	95.8	11.4	69.0	92.3	14.9
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	63.0	79.3	68.0	78.3	1.0	44.0	58.3	21.0
72 CL Pork Trim	93.0	109.3	89.8	108.3	1.0	71.2	97.3	12.0
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	258.9		258.9		0.0	243.7		15.2
50 CL Beef Trimming	214.2		191.5		22.7	184.5		29.7
42 CL Pork Trim	188.7		186.3		2.4	138.7		50.0
72 CL Pork Trim	151.7		150.3		1.4	135.1		16.7
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	119.22		119.50		-0.3	114.60		4.6

**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
	26-Jul-17	19-Jul-17			27-Jul-16		
<b><u>Live Cattle Futures</u></b>							
August '17	114.300	117.275	↓	-2.98	113.950	↑	0.35
October '17	113.375	118.875	↓	-5.50	113.050	↑	0.33
December '17	113.975	119.675	↓	-5.70	113.900	↑	0.07
February '18	115.625	120.325	↓	-4.70	113.275	↑	2.35
<b><u>Feeder Cattle Futures</u></b>							
August '17	146.475	154.500	↓	-8.03	142.275	↑	4.20
September '17	147.075	154.450	↓	-7.38	141.125	↑	5.95
October '17	146.525	152.950	↓	-6.42	140.250	↑	6.28
November '17	145.300	151.475	↓	-6.17	140.250	↑	5.05
<b><u>Corn Futures</u></b>							
September '17	372 3/4	382 1/2	↓	-9.75	335 3/4	↑	37.00
December '17	386	396 1/4	↓	-10.25	343	↑	43.00
March '18	397 3/4	407	↓	-9.25	351 3/4	↑	46.00
May '18	402 3/4	412 1/4	↓	-9.50	357	↑	45.75
<b><u>Ch Wheat Futures</u></b>							
September '17	477 3/4	503	↓	-25.25	414 3/4	↑	63.00
December '17	502 3/4	526 3/4	↓	-24.00	414 1/2	↑	88.25
March '18	524	546 1/2	↓	-22.50	467 1/4	↑	56.75
May '18	535 3/4	557	↓	-21.25	480 3/4	↑	55.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	26-Jul-17	19-Jul-17			27-Jul-16		
<b><u>Total Cattle Slaughter</u></b>	624,000	619,000	↑	5,000	598,000	↑	26,000
	<b>8-Jul-17</b>	<b>1-Jul-17</b>			<b>9-Jul-16</b>		
<b><u>Total Cow Slaughter</u></b>	88,419	111,214	↓	-22,795	83,200	↑	5,219
<b><u>Dairy Cow Slaughter</u></b>	44,134	54,796	↓	-10,662	43,900	↑	234
<b><u>Beef Cow Slaughter</u></b>	44,285	56,418	↓	-12,133	39,300	↑	4,985



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

## YTD Imported Meat Passed for Entry in the US

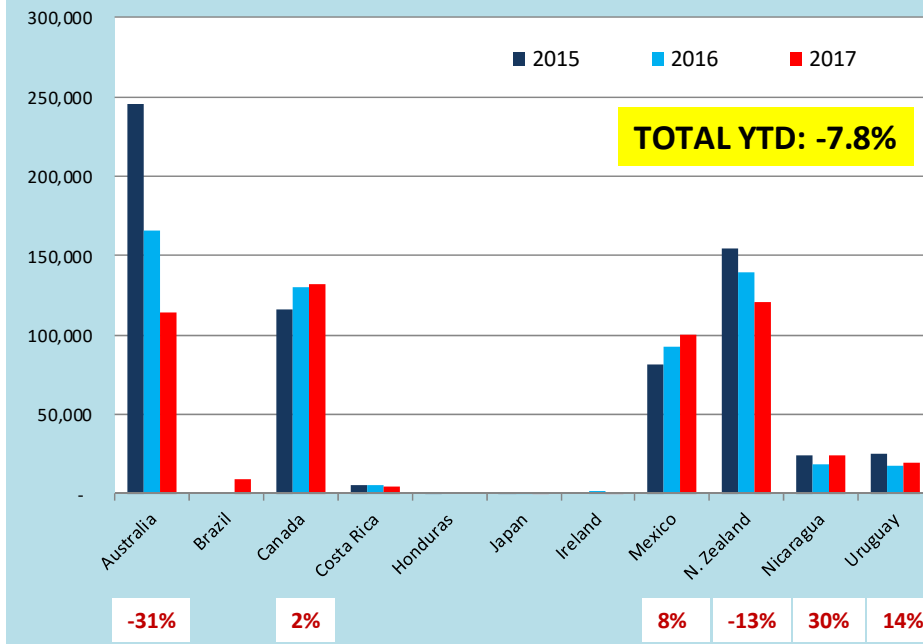
week 28	7/9/2016	7/15/2017		
Australia	165,835	114,481	(51,354)	-31.0%
Brazil	-	8,995		
Canada	130,018	132,290	2,272	1.7%
Chile	297	202	(95)	-32.0%
Costa Rica	5,269	4,794	(475)	-9.0%
Honduras	-	-	-	
Japan	122	216	94	77.0%
Ireland	1,423	1,113	(310)	-21.8%
Mexico	92,843	99,848	7,005	7.5%
New Zealand	139,431	120,615	(18,816)	-13.5%
Nicaragua	18,719	24,323	5,604	29.9%
Uruguay	17,463	19,861	2,398	13.7%
<b>Total</b>	<b>571,420</b>	<b>526,980</b>	<b>(44,440)</b>	<b>-7.8%</b>

Source: USDA/FSIS

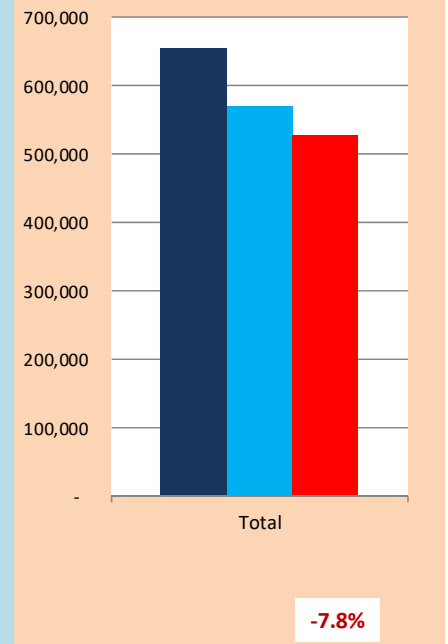
### US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of July 15, 2017

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



Total

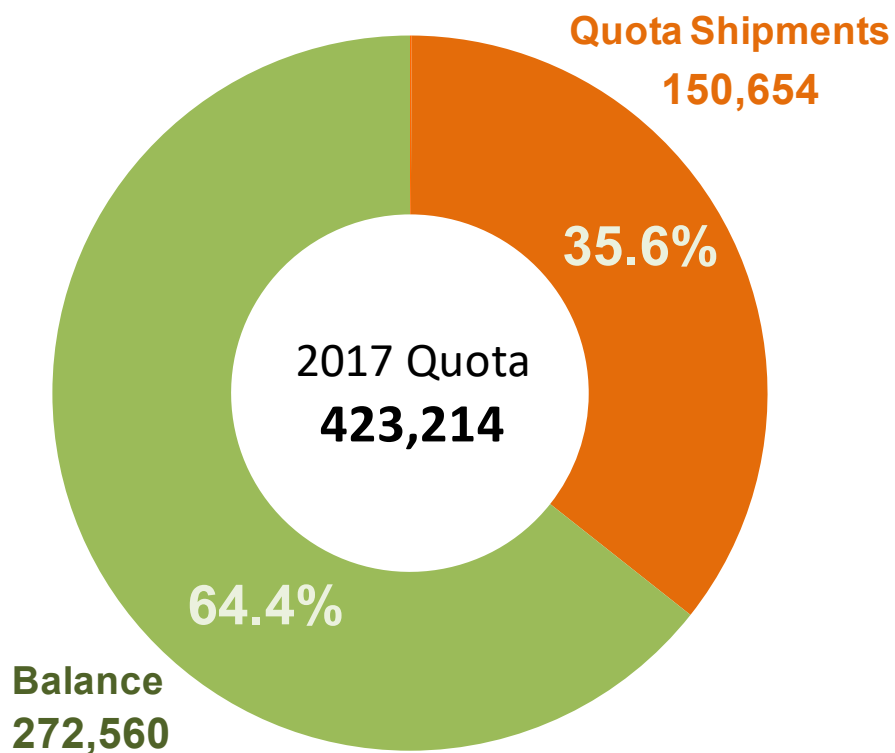


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled 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 24

Source: US Customs

