



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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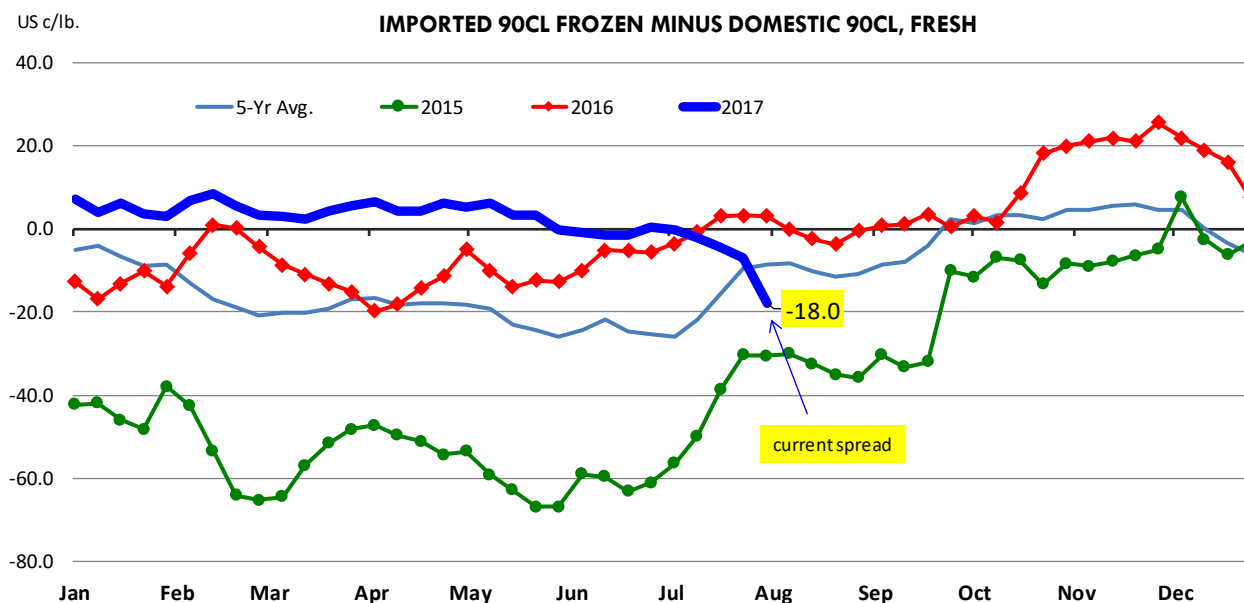
## Market Highlights for the Week:

- Imported beef prices continued to drift lower as overseas packers try to generate sales going into the fall
- Spread between US domestic fresh and forward frozen imported sales now at the widest point in the year
- Counter seasonal shift in the spread also reflects demand shifts, with domestic retail demand for ground beef quite robust while foodservice struggles with lower traffic counts, at least at traditional fast food operations
- Retail ground beef feature price down 3% from last year and 21% from two years ago
- US fed cattle / beef prices drift lower but higher forward sales indicate robust beef features this fall

## Imported Market Activity for the Week

Prices for imported beef continued to slide this week and some market participants were calling for prices to continue to decline in the coming weeks. It is difficult to say at this point if the calls for lower prices reflect a sudden shift in market sentiment, increased offerings from overseas suppliers or the opinion of traders that already have taken on short orders and want to see this market head lower in the next couple of months. Some trading did develop

this week at significantly lower prices. As we noted last week, sellers were finding it increasingly difficult to draw out bids. End users appeared content to sit on the sidelines, unwilling to bid on product delivering in September and October. It appeared that this week some sellers had enough of the standoff and lowered asking prices to get some orders on the books. In some cases the reported reduction in price was as much as 10 cents compared to the week before. The development appeared to catch some by surprise but it also had the intended effect, with re-

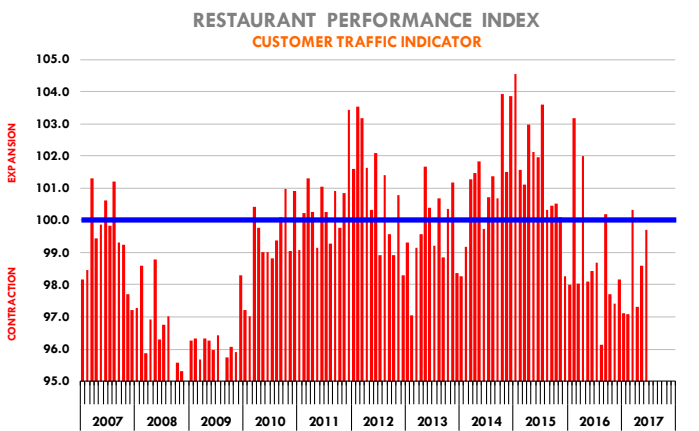
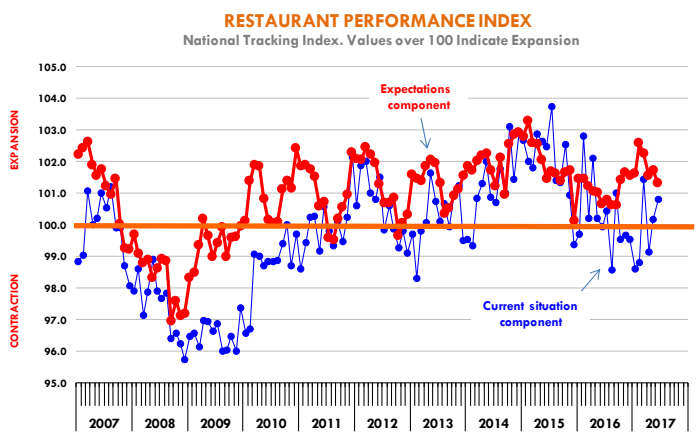


ports of some volume done at those levels. It remains to be seen if the decline will generate more business. Already imported frozen product is now trading as much as 18 cents under domestic fresh product. Keep in mind, however, that lower priced imported product is for delivery a few weeks from now rather than spot. Spot availability remains somewhat limited although some market participants noted of some inventory in the West Coast trading near forward prices as well.

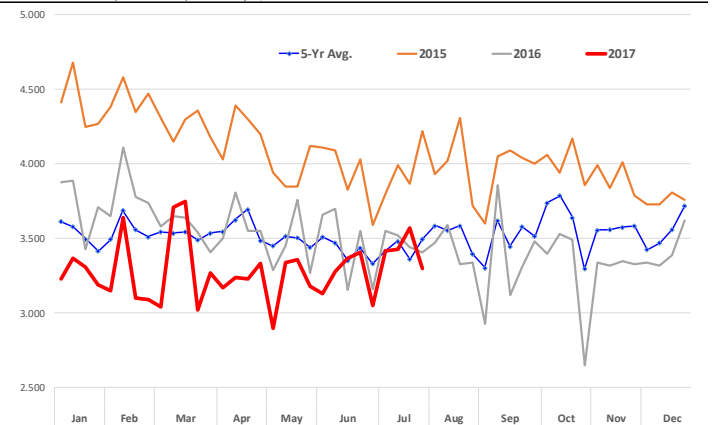
Imported fat beef trading remains quite thin, especially now that domestic 50CL beef prices have started to trend lower. It was about this time last year that domestic 50CL beef market took a tumble from the high 80s to as low as 35 cents in the fall. Most market participants do not expect that to repeat this year but seasonally some weakness is to be expected. Based on historical patterns, it could be argued that 50CL beef may go into the 60s, which is a fairly significant discount considering it was trading as high as \$2 per pound in May. A number of factors could push 50CL beef prices lower into the fall, including the seasonal increase in fed cattle weights, relatively high slaughter/marketings and the normal decline in ground beef demand after the Labor Day holiday weekend (first Monday in September)

Retail / Foodservice Demand Factors

- The latest Restaurant Performance Index data (for June) showed improvement across all categories. Please remember that the index is looking to show growth / decline vs. a steady state of 100. Values above 100 indicate expansion and vice versa. The overall index reading in June stood at 101, the highest level since March. In the last three months we have seen a divergence between the current conditions index (contraction) and expectations index (expansion). What this basically means is that while current conditions for restaurant operators have deteriorated, they are quite optimistic about the future. In the June report the gap between these two components narrowed, which we see as positive for fast food demand going forward. The reading for the current index was 100.8 vs. 100.2 in the previous month while the expectations index was 101.3 vs. 101.7 previously. In our view the most important component in the index is the customer traffic indicator. In April this indicator was down to 97.3 but by June it had recovered to 99.7. Foodservice operators in the US have been complaining about a sharp decline in customer counts. We think there are three major reasons for this. First, there are significantly more units that have opened in the last few years, many of them small independent or regional operators. Second, young consumers appear to be less brand loyal



Weekly Reported Retail Feature Prices, USDA National Retail Report: GROUND BEEF 80-89%  
 Source: USDA "LSWBFRTL" Report. Latest data point is for July 28, 2017



and willing to try new flavors /concepts. Third, retailers and other food delivery concepts have successfully drawn customers away from restaurants. Foodservice operators took advantage of the lower food costs in the last three years to either refurbish stores, upgrade their food offerings or retain workers through higher wages. This meant that despite lower food costs inflation at restaurants has been fairly steady. Inflation at grocery stores, however, has declined, opening up a significant value gap. The recent data may be somewhat

encouraging but we still see a shift in demand towards grocery retail. This is good news for domestic fresh ground beef suppliers and works against imported beef. So far imported beef prices have been supported by the lack of availability from Australia. Brazil was supposed to provide an additional source of product but they were quickly shut out of the US market. As imported beef supplies recover in 2018 and 2019, we expect imported beef to once again trade at a discount to domestic product, in part because of the shift in demand towards fresh ground beef.

### Domestic Price Summary

Prices for 90CL boneless beef were quoted at 233.5 US cents on the top side, 0.5 cents higher than a week ago and 17 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 20.5 cents, 1.5 cents lower than last week but still 12.5 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 90 cents on the high side, 16 cents higher than last year. Prices for fat beef trim have declined from the all time record highs in late May and should drift lower into the fall.

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

### US Domestic Cattle / Beef Market Situation

Predictably retail beef features declined in the second half of July and this likely contributed to the down trend in the value of the cutout. It is not a particularly surprising occurrence and the sharp rise in beef prices during late spring and early summer probably contributed to retailers pulling beef off features once the peak grilling days were behind us. For week ending July 28 the retail beef feature activity index was down 8% from the previous year and it has averaged 6% under last year for the last three reported weeks. While beef features at retail have declined, fed cattle slaughter remains well above year ago levels. The higher slaughter is a function of feedlot placements earlier in the year and increased availability. Feedlot margins were quite robust in Q2 and the current futures market structure continues to incentivize feedlots to maintain a high marketing rate. Last week fed cattle slaughter was 511,000 head, 7.5% higher than a year ago and near the

slaughter highs so far this year. Expectations are for fed slaughter to once again stay above 500,000 head this week as well compared to 475,000 head a year ago. Fed cattle weights are lower than last year, which has offset some of the increase in slaughter.

The choice beef cutout last week was \$206.96/cwt (average for the week), down \$44/cwt (-17.5%) from mid June levels. Much of the decline was led by the slowdown in retail activity, after all it was higher retail ads that led the rally in April and May. The prime beef cutout during this period is down 3% while the cutout for branded beef (presumably to support retail features) was down 16% during this time. With very limited features for middle meats, the beef cutout has had trouble finding a floor the last couple of weeks. While it is true that price erosion has slowed down, the choice cutout value continues to lose ground largely due to lower prices for loins and ribs. The chuck and round primal value remains above year ago levels, we assume because consumers are shifting their purchases to less expensive beef options. We continue to see very robust pricing for grinds, be this lean or fat beef. The price of 90CL boneless beef trimmings is currently near \$233/cwt, a 6% premium over year ago levels. Lean beef prices are up despite double digit increases in cow slaughter. Retailers have lowered ground beef prices in the last couple of years and, we presume, the end of steak features has shifted more beef demand towards ground beef. Normally we would expect ground beef pricing to remain firm through the end of August due to Labor Day demand. The average retail feature price for 80-89% ground beef last week was reported by USDA at \$3.30/lb., 3.2% less than a year ago and 22% lower than it was two years ago. Fat beef trim prices remain firm but the test for this product will come once Labor Day orders have been filled.

Even as retail features have declined in the last few weeks, it appears this may be a short term issue. Lower cattle and wholesale beef prices have provided an opportunity for retailers and foodservice operators to increase forward buys (see chart). Export beef sales have also improved in recent weeks. Beef sales for delivery 22-60 days forward have averaged +8% over last year in the last four weeks. Export sales to NAFTA countries in the last four weeks are up 7% while export sales to other markets are flat.

# 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
	1-Aug-17	25-Jul-17		2-Aug-16	
CME FEEDER CATTLE INDEX	150.43	151.57	-0.8%	145.27	3.6%
	2-Aug-17	26-Jul-17		3-Aug-16	
FED STEER (5-MKT AVG)	117.12	119.22	-1.8%	116.98	0.1%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	121.00	120.50	0.4%	139.00	-12.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	131.50	129.50	1.5%	139.00	-5.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	122.00	120.00	1.7%	130.00	-6.2%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	181.25	181.02	0.1%	170.36	6.4%

## 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
	2-Aug-17	227.0	26-Jul-17	234.0		3-Aug-16		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	225.0	227.0	230.0	234.0	-7.0	221.0	224.0	3.0
<b>90 CL Blended Cow</b>	203.0	207.0	210.0	214.0	-7.0	205.0	209.0	-2.0
<b>90 CL Shank</b>	203.0	205.0	207.0	208.0	-3.0	205.0	206.0	-1.0
<b>85 CL Fores</b>	195.0	199.0	202.0	203.0	-4.0	187.0	190.0	9.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	225.0	226.0	230.0	231.0	-5.0	220.0	223.0	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>	195.0	197.0	200.0	202.0	-5.0	187.0	188.0	9.0
<b>80 CL Trimmings</b>	179.0	180.0	178.0	180.0	0.0	168.0	170.0	10.0
<b>75 CL Trimmings</b>		UNQ	167.0	168.0	N/A	160.0	162.0	N/A
<b>65 CL Trimmings</b>	118.0	120.0	125.0	127.0	-7.0	112.0	113.0	7.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	275.0	280.0	270.0	275.0	5.0		UNQ	N/A
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>		250.0	245.0	250.0	0.0		UNQ	N/A

**TABLE 3 – IMPORTED BEEF PRICES, 7:45 DAYS, US WAREHOUSE**

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	2-Aug-17		26-Jul-17			3-Aug-16		
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
<b>95 CL Bull, E. Coast</b>	235.0	237.0	240.0	243.0	-6.0	230.0	234.0	3.0
<b>90 CL Blended Cow</b>	212.0	215.0	220.0	221.0	-6.0	214.0	215.0	0.0
<b>90 CL Shank</b>	210.0	213.0	217.0	218.0	-5.0	213.0	214.0	-1.0
<b>85 CL Fores</b>	203.0	205.0	209.0	210.0	-5.0	195.0	196.0	9.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	233.0	235.0	240.0	241.0	-6.0	230.0	233.0	2.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
<b>85 CL Trimmings</b>	203.0	204.0	208.0	209.0	-5.0	194.0	195.0	9.0
<b>80 CL Trimmings</b>	186.0	188.0	189.0	190.0	-2.0	175.0	177.0	11.0
<b>75 CL Trimmings</b>		UNQ	177.0	178.0	N/A	168.0	170.0	N/A
<b>65 CL Trimmings</b>	127.0	130.0	134.0	135.0	-5.0		118.0	12.0
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
<b>Cap Off Steer Insides</b>		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>		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
	2-Aug-17		26-Jul-17			3-Aug-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	205.06		207.07		-2.0	199.20		5.9
Select Cutout	197.42		197.87		-0.5	191.66		5.8
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	232.0	233.5	232.0	233.0	0.5	211.0	216.3	17.2
85 CL Beef Trimmings	196.4	205.5	203.0	207.0	-1.5	184.0	193.0	12.5
50 CL Beef Trim	83.5	90.0	89.0	107.1	-17.1	69.0	74.0	16.0
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	60.9	76.3	63.0	79.3	-3.0	58.0	65.3	11.0
72 CL Pork Trim	75.2	111.0	93.0	109.3	1.8	74.0	94.5	16.5
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	259.4		258.9		0.6	240.3		19.2
50 CL Beef Trimming	180.0		214.2		-34.2	148.0		32.0
42 CL Pork Trim	181.5		188.7		-7.1	155.4		26.2
72 CL Pork Trim	154.2		151.7		2.4	131.3		22.9
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	117.12		119.22		-2.1	116.98		0.1

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	<b>2-Aug-17</b>	<b>26-Jul-17</b>			<b>3-Aug-16</b>	
<b><u>Live Cattle Futures</u></b>						
August '17	114.525	114.300	↑	0.23	113.950	↑ 0.58
October '17	114.675	113.375	↑	1.30	113.050	↑ 1.63
December '17	115.875	113.975	↑	1.90	113.900	↑ 1.97
February '18	117.125	115.625	↑	1.50	113.275	↑ 3.85
<b><u>Feeder Cattle Futures</u></b>						
August '17	150.250	146.475	↑	3.78	142.275	↑ 7.97
September '17	150.600	147.075	↑	3.53	141.125	↑ 9.47
October '17	150.100	146.525	↑	3.57	140.250	↑ 9.85
November '17	149.025	145.300	↑	3.72	140.250	↑ 8.78
<b><u>Corn Futures</u></b>						
September '17	365	372 3/4	↓	-7.75	335 3/4	↑ 29.25
December '17	379	386	↓	-7.00	343	↑ 36.00
March '18	391	397 3/4	↓	-6.75	351 3/4	↑ 39.25
May '18	396 1/2	402 3/4	↓	-6.25	357	↑ 39.50
<b><u>Ch Wheat Futures</u></b>						
September '17	460 3/4	477 3/4	↓	-17.00	414 3/4	↑ 46.00
December '17	487 3/4	502 3/4	↓	-15.00	414 1/2	↑ 73.25
March '18	509 1/4	524	↓	-14.75	467 1/4	↑ 42.00
May '18	523	535 3/4	↓	-12.75	480 3/4	↑ 42.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	<b>2-Aug-17</b>	<b>26-Jul-17</b>			<b>3-Aug-16</b>	
<b>Total Cattle Slaughter</b>	625,000	624,000	↑	1,000	578,000	↑ 47,000
	<b>15-Jul-17</b>	<b>8-Jul-17</b>			<b>16-Jul-16</b>	
<b>Total Cow Slaughter</b>	114,042	88,419	↑	25,623	103,000	↑ 11,042
<b>Dairy Cow Slaughter</b>	57,379	44,134	↑	13,245	53,000	↑ 4,379
<b>Beef Cow Slaughter</b>	56,663	44,285	↑	12,378	50,000	↑ 6,663



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

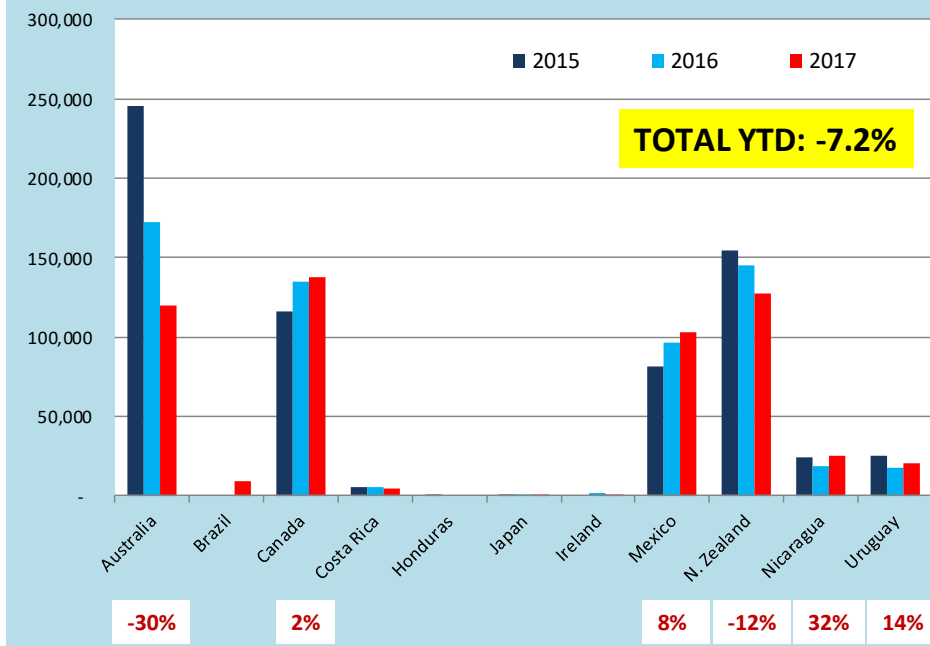
## YTD Imported Meat Passed for Entry in the US

week 29	7/16/2016	7/22/2017		
Australia	172,177	119,837	(52,340)	-30.4%
Brazil	-	8,995		
Canada	134,970	138,176	3,206	2.4%
Chile	312	202	(110)	-35.3%
Costa Rica	5,526	4,845	(681)	-12.3%
Honduras	-	-	-	
Japan	123	220	97	78.9%
Ireland	1,423	1,164	(259)	-18.2%
Mexico	96,096	103,433	7,337	7.6%
Netherlands	-	228		
New Zealand	145,562	127,540	(18,022)	-12.4%
Nicaragua	19,199	25,399	6,200	32.3%
Uruguay	18,178	20,754	2,576	14.2%
<b>Total</b>	<b>593,567</b>	<b>550,850</b>	<b>(42,717)</b>	<b>-7.2%</b>

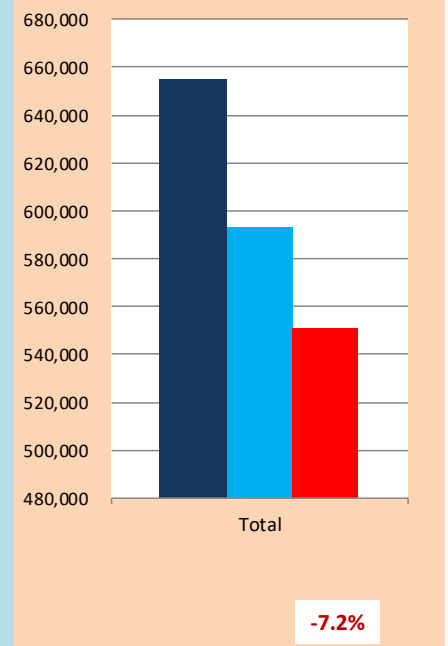
### US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of July 22, 2017

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



Total

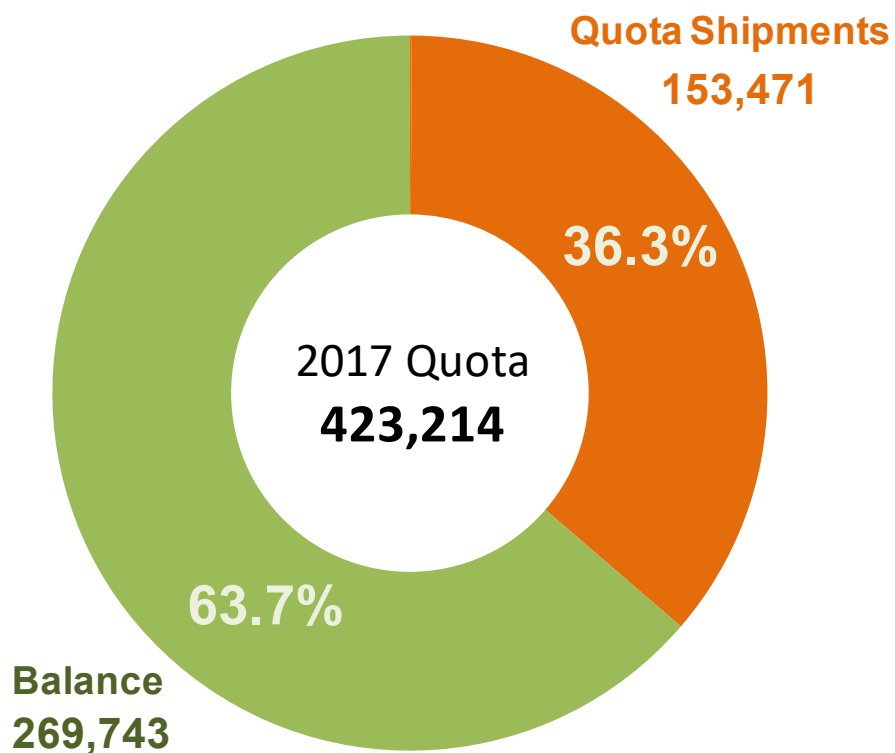


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

# Australian Beef Quota Position

27-Jul-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending July 31

Source: US Customs

