



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

Market Highlights for the Week:

- Lean beef trim prices continue to trend higher despite double digit increase in domestic cow slaughter
- Discount of imported lean 90CL frozen beef to domestic fresh now as much as 25 cents per pound, the largest spread so far this year
- Combined Australia/New Zealand slaughter in last four weeks estimated 8% above year ago levels
- US fat beef trim prices collapse, with prices in September likely to be in the 50 cent area
- Dry conditions expand but pasture conditions remain near long run average levels

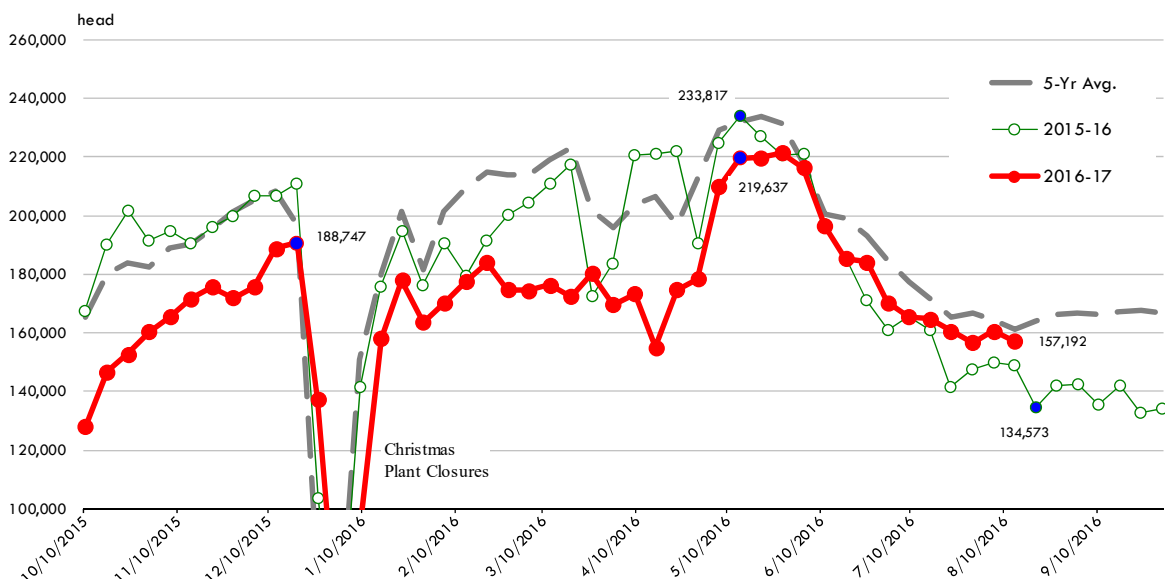
Imported Market Activity for the Week

Prices for imported beef continued to drift lower this week although offerings remain quite limited and participants remain confounded by dramatic shifts bids and offerings from one hour to the next. Low prices last week were followed by a modest price improvement, in part because the rally in US fed cattle prices at the end of last week may have stimulated some short covering. However, fed cattle futures have once again resumed their downtrend, influencing buyer sentiment and resulting bids.

Some market participants noted that offerings from New Zealand are particularly limited. This is not unusual for this time of year considering that cow slaughter is now down to around 10,000 head per week compared to over 55,000 head/week in mid May. New Zealand suppliers are indicating they are fairly well sold through September and so far appear unwilling to chase the market lower. The main reason for the imported price slide continues to be US end user reluctance to bid at a time when domestic fed cattle prices continue to deflate by the day.

AUSTRALIA & NEW ZEALAND COMBINED CATTLE SLAUGHTER. WEEKLY. OCT - SEP PERIOD.

Data Sources: Meat and Livestock Australia/NZ Meat Board. Last three weeks for NZ estimated by Steiner.



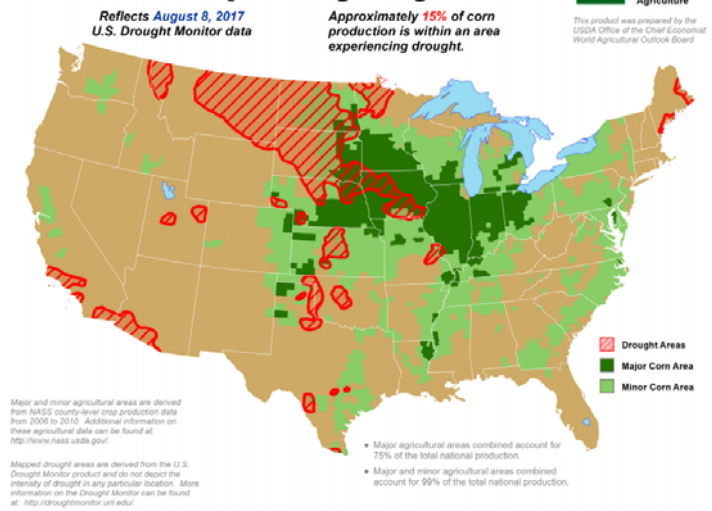
Market highlights this week:

Domestic Lean Beef Prices: At a time when US cattle and beef prices have trending lower, lean grinding beef has for the most part bucked the trend. Prices tonight closed at \$231/cwt on a weighted average basis, about the same price as the previous week. Lean beef values have been trading in a fairly narrow range since May despite cow slaughter running notably above year ago levels. We think a couple of reasons have contributed to the strength in domestic lean beef prices. First, imported beef supplies were notably lower than in previous years, which forced some large end users to rely more on domestic supplies. Second, we think ground beef demand at retail was particularly strong this spring and summer. As we have noted in our reports, retail feature prices for ground beef have been substantially under levels we saw in 2014, 2015 and 2016. There is some debate as to the state of foodservice demand in the US. While we do not disagree that large chains continue to struggle with foot traffic, we do not think this is indicative of the overall industry. Rather, we think there has been a significant increase in the number of new entrants, with more concepts advertising fresh ground beef as a differentiating factor vs. incumbents. We think this continues to favor domestic production. If we are right, then as imported availability increases it will tend to drive a fairly large spread between domestic and imported beef. We expect domestic lean beef prices to decline into the fall, however. Already we have noted an increase in ground beef feature prices at retail and we expect those prices to continue to increase in the next few weeks as Labor Day (first Monday in September) features come to an end.

Domestic Fat Trim Prices: While we expected some value erosion for domestic fat beef trim, the sharp decline in prices today brings into question the price levels we should expect in September and early October. We see the decline in fat beef trim prices as an early indicator of slowing retail ground beef demand. US fed steer prices remain well under year ago levels so that should limit somewhat the supply of fat trim available in the market. Still, seasonally supplies will increase at a time when grilling demand slows down. Higher ground beef prices at retail we think will contribute to a slowdown in quantity demanded from that sector. It is important to remember that last year fat beef trim prices dropped to the low 30s. We do not see that happening again but at this point it is possible to contemplate beef 50s dropping under 60 cents in September, something that we did not think was possible even two weeks ago.

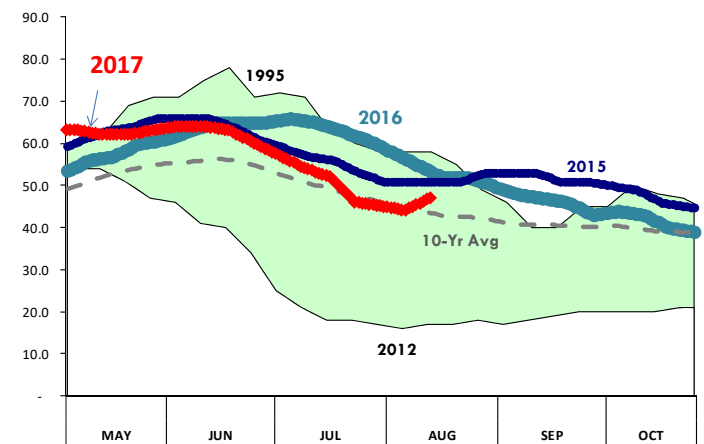
Australia/New Zealand Supplies: We think total

U.S. Corn Areas Experiencing Drought



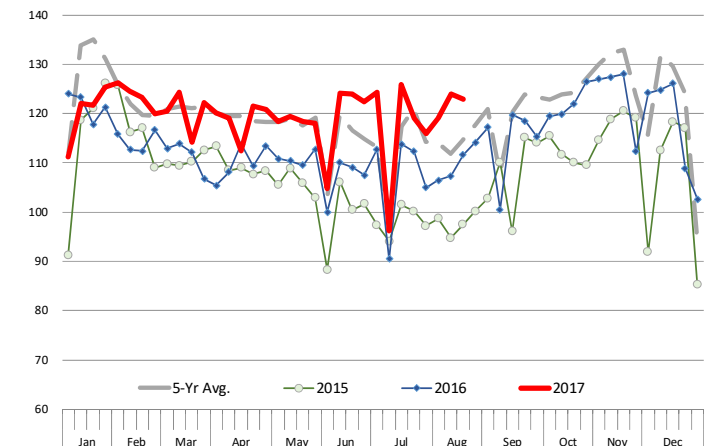
US PASTURE CONDITIONS: 20 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION. WEEK of August 13, 2017. Source USDA/NASS



WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA



New Zealand slaughter in the last four weeks has averaged around 27,000 head. The projection is based on seasonal trends and the recent slaughter performance. Combined Australia/New Zealand slaughter for the last four weeks has been running at around 159,000 head, 8% higher than a year ago. While imported availability

has increased modestly in the last few weeks, we do not see that as the reason for the pullback in imported beef prices. Rather, we think the downward trends reflects end user apprehension in booking forward meat, especially with fall fed cattle futures losing ground on a daily basis.

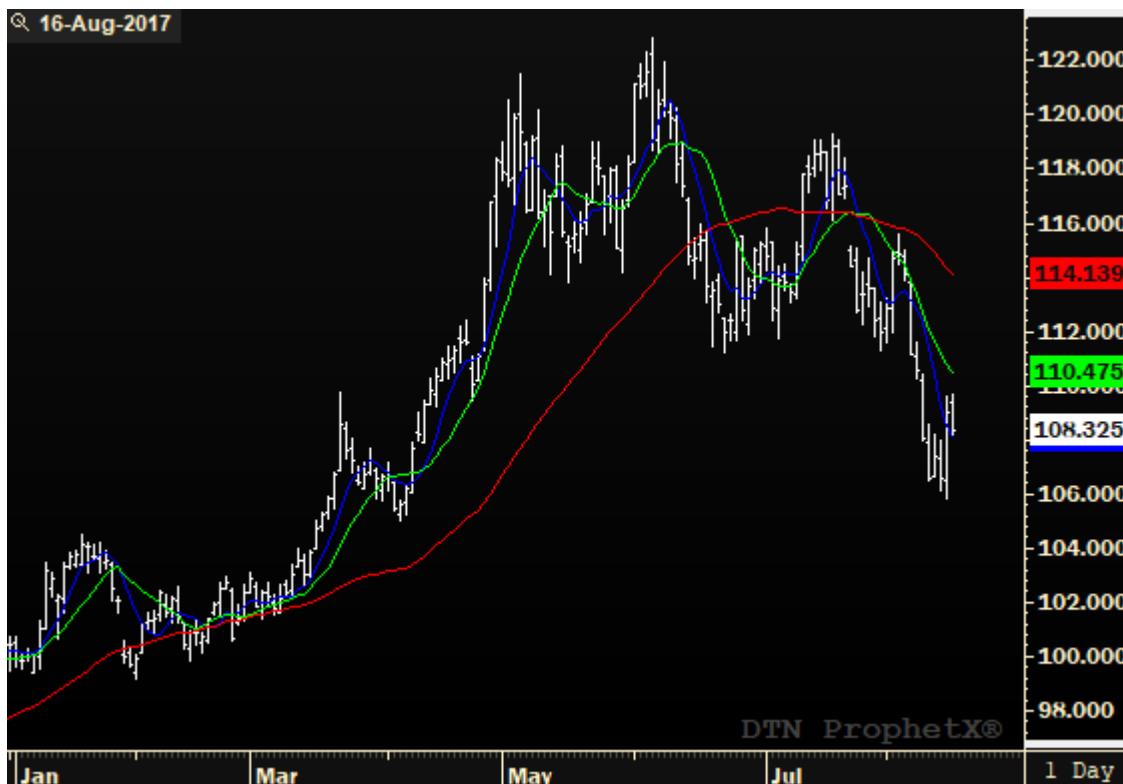
Drought Conditions Worsen: Worsening drought conditions in the Northern Plains have negatively impacted the spring wheat crop, they are threatening corn yields in the Dakotas but so far have had only limited impact on pasture conditions. According to the latest USDA evaluation of crop conditions, about 47% of US pastures and rages currently is in good or excellent condition. This is about 4 points lower than the same time last year but still above the 10 year average. US cow and bull slaughter in the last four weeks has been running about 12% above year ago levels but we do not think this is due to the increase in drought pressure. Rather it is a reflection of a larger cow herd, an increase in cull cow availability and the steady decline in calf prices (see feeder chart in the next page).

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 231 US cents on the top side, 3 cents lower than a week ago but still as much as 13 cents higher than year ago levels. **The weighted average price tonight was quoted at 231 cents, 1 cent lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 203 cents, 4 cents lower than last week but 10 cents higher than last year. The weighted average price for 85CL beef was 199 cents a pound, 3 cents lower than a week ago. 50CL beef price was 80 cents on the high side, 19 cents lower than last week but still 8 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 67 cents.

Prices for 42CL and 72CL pork trim also declined as much as 15 cents a pound this week and are now under year ago levels.

October 2017 Fed Cattle Prices

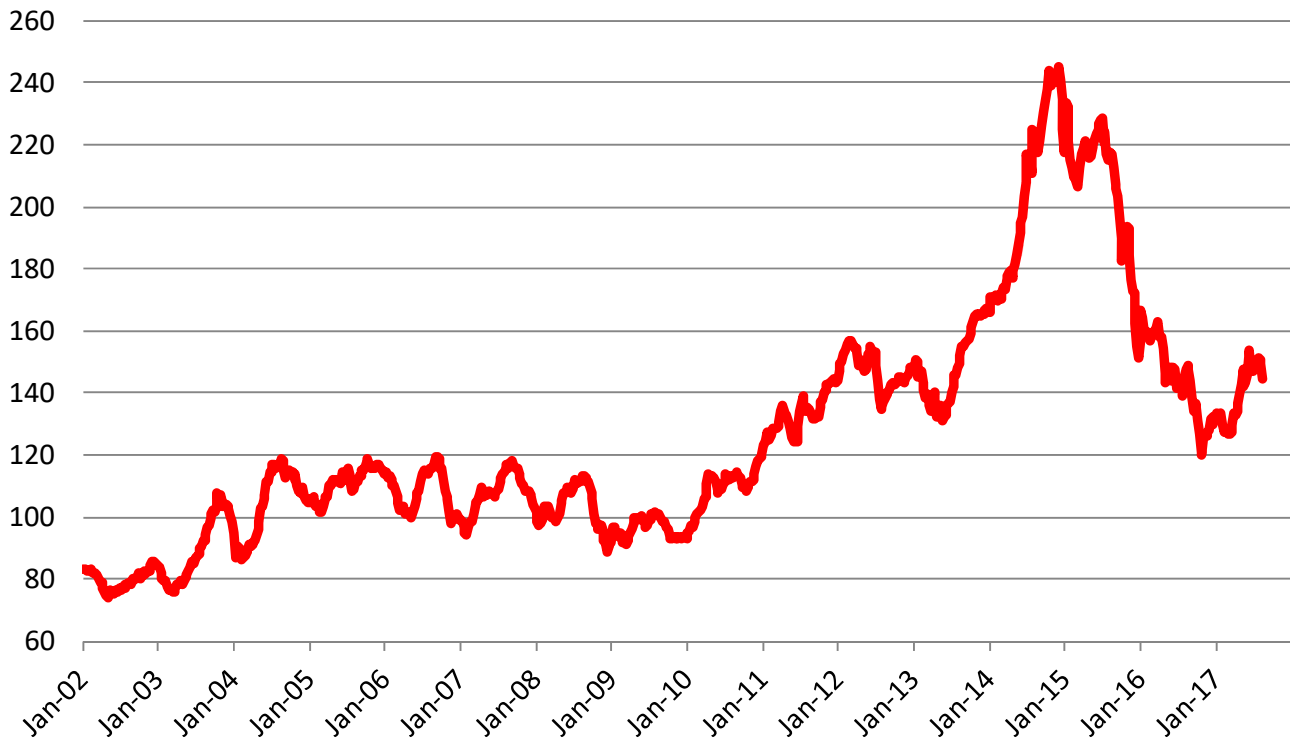


CME Cattle Feeder Index and US Cattle Markets

Special Live Animal Reference Price

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	15-Aug-17	8-Aug-17		16-Aug-16	
CME FEEDER CATTLE INDEX	144.49	149.48	-3.3%	148.79	-2.9%
	16-Aug-17	9-Aug-17		17-Aug-16	
FED STEER (5-MKT AVG)	115.09	117.01	-1.6%	118.26	-2.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	116.00	120.50	-3.7%	139.50	-16.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	126.50	130.50	-3.1%	135.00	-6.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	115.00	122.00	-5.7%	127.00	-9.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	180.90	181.12	-0.1%	170.95	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
	16-Aug-17	22-Aug-17	9-Aug-17	15-Aug-17		17-Aug-16	23-Aug-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	217.0	220.0	215.0	222.0	-2.0	220.0	224.0	-4.0
90 CL Blended Cow	198.0	202.0	195.0	205.0	-3.0	199.0	200.0	2.0
90 CL Shank	195.0	200.0	195.0	200.0	0.0	197.0	200.0	0.0
85 CL Fores	187.0	189.0	185.0	190.0	-1.0	184.0		5.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	216.0	220.0	215.0	218.0	2.0	220.0	222.0	-2.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	186.0	188.0	185.0	190.0	-2.0	182.0	183.0	5.0
80 CL Trimmings	170.0	175.0	165.0	175.0	0.0	165.0	166.0	9.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings	115.0	120.0	115.0	120.0	0.0	110.0	113.0	7.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	265.0	270.0	5.0	285.0	286.0	-11.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	215.0	220.0	N/A
Steer Knuckles		250.0		250.0	0.0	218.0	222.0	28.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	16-Aug-17	23-Aug-17	9-Aug-17	16-Aug-17		17-Aug-16	24-Aug-16	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	230.0	232.0	231.0	233.0	-1.0	228.0	230.0	2.0
90 CL Blended Cow	210.0	212.0	210.0	215.0	-3.0	208.0	210.0	2.0
90 CL Shank	209.0	210.0	210.0	212.0	-2.0	209.0	210.0	0.0
85 CL Fores	198.0	200.0	195.0	200.0	0.0	190.0	191.0	9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	229.0	228.0	230.0	-1.0	227.0	229.0	0.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	197.0	199.0	195.0	198.0	1.0	188.0	190.0	9.0
80 CL Trimmings	179.0	181.0	178.0	183.0	-2.0	172.0	173.0	8.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings	123.0	125.0	125.0	130.0	-5.0	118.0	120.0	5.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	290.0	295.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	230.0	232.0	N/A
Steer Knuckles	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
	16-Aug-17		9-Aug-17			17-Aug-16		
<u>Domestic Cutouts</u>								
Choice Cutout	197.51		201.66		-4.2	201.75		-4.2
Select Cutout	195.04		196.61		-1.6	193.13		1.9
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	231.0	231.0	232.0	234.0	-3.0	211.0	218.0	13.0
85 CL Beef Trimmings	196.0	203.0	198.9	207.0	-4.0	187.0	193.0	10.0
50 CL Beef Trim	67.0	69.0	78.6	88.0	-19.0	54.5	60.7	8.3
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	49.0	65.1	61.1	74.3	-9.1	54.3	63.9	1.3
72 CL Pork Trim	60.0	79.9	71.0	95.3	-15.4	60.0	84.3	-4.4
<u>Point of Lean Values</u>								
90 CL Domestic	256.7		260.0		-3.3	242.2		14.4
50 CL Beef Trimming	138.0		176.1		-38.1	121.4		16.6
42 CL Pork Trim	155.0		176.8		-21.8	152.0		3.0
72 CL Pork Trim	110.9		132.3		-21.4	117.0		-6.1
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	115.09		117.01		-1.9	118.26		-3.2

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
	16-Aug-17	9-Aug-17			17-Aug-16		
<u>Live Cattle Futures</u>							
August '17	109.700	110.000	↓	-0.30	116.850	↓	-7.15
October '17	108.500	108.050	↑	0.45	114.925	↓	-6.43
December '17	110.450	109.875	↑	0.58	115.900	↓	-5.45
February '18	112.450	111.500	↑	0.95	115.475	↓	-3.02
<u>Feeder Cattle Futures</u>							
August '17	143.025	141.525	↑	1.50	149.725	↓	-6.70
September '17	143.925	142.150	↑	1.78	148.500	↓	-4.57
October '17	143.600	140.975	↑	2.63	145.825	↓	-2.22
November '17	143.550	140.350	↑	3.20	142.850	↑	0.70
<u>Corn Futures</u>							
September '17	353 1/4	372 1/4	↓	-19.00	322 1/2	↑	30.75
December '17	367	386 1/4	↓	-19.25	333	↑	34.00
March '18	378 1/4	398	↓	-19.75	343 1/4	↑	35.00
May '18	385	403 3/4	↓	-18.75	350	↑	35.00
<u>Ch Wheat Futures</u>							
September '17	422 3/4	459 1/2	↓	-36.75	421 3/4	↑	1.00
December '17	449 3/4	486 3/4	↓	-37.00	441 1/2	↑	8.25
March '18	472	507 1/2	↓	-35.50	462 3/4	↑	9.25
May '18	487 1/4	522	↓	-34.75	474 1/2	↑	12.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	16-Aug-17	9-Aug-17			17-Aug-16		
<u>Total Cattle Slaughter</u>	641,000	640,000	↑	1,000	582,000	↑	59,000
	29-Jul-17	22-Jul-17			30-Jul-16		
<u>Total Cow Slaughter</u>	105,238	109,756	↓	-4,518	94,600	↑	10,638
<u>Dairy Cow Slaughter</u>	54,968	56,763	↓	-1,795	50,400	↑	4,568
<u>Beef Cow Slaughter</u>	50,270	52,993	↓	-2,723	44,200	↑	6,070

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

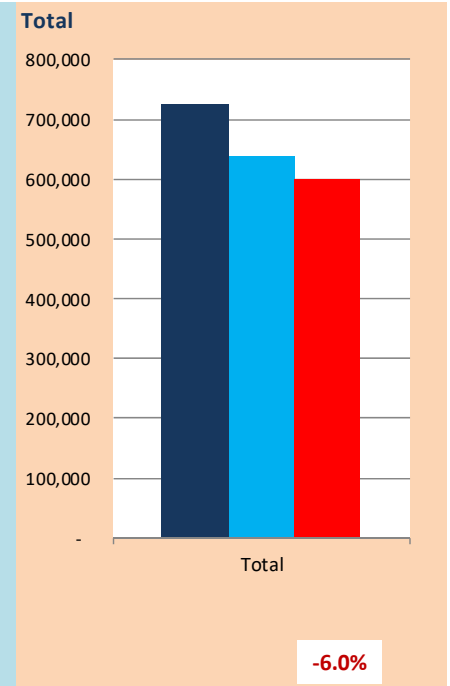
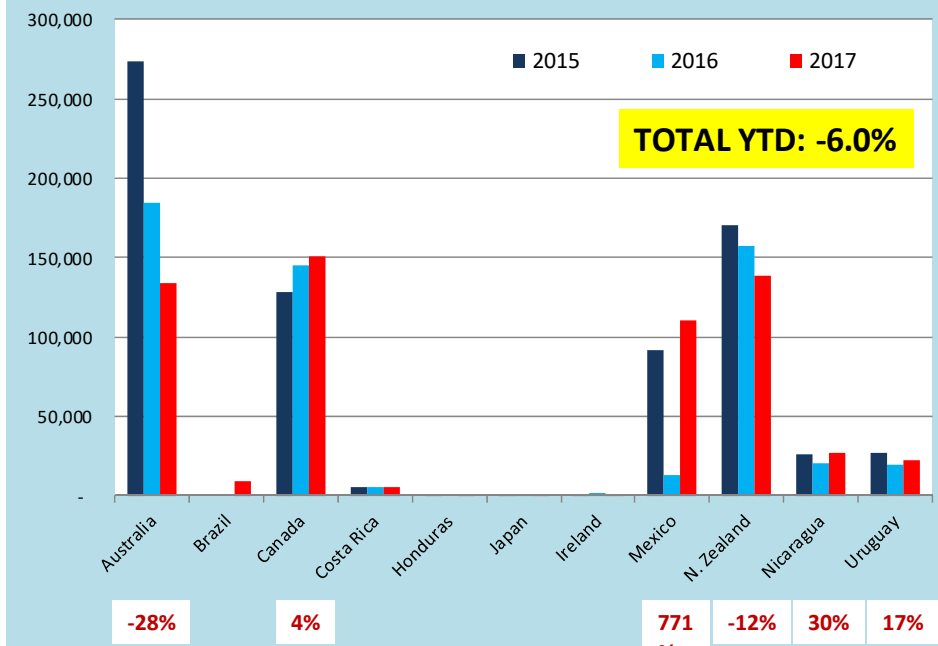
YTD Imported Meat Passed for Entry in the US

week 31	7/30/2016	8/5/2017		
Australia	184,906	133,767	(51,139)	-27.7%
Brazil	-	9,022		
Canada	145,086	151,242	6,156	4.2%
Chile	336	202	(134)	-39.9%
Costa Rica	5,792	5,158	(634)	-10.9%
Honduras	-	152	152	
Japan	133	226	93	69.9%
Ireland	1,540	1,262	(278)	-18.1%
Mexico	12,661	110,259	97,598	770.9%
Netherlands	-	228		
New Zealand	157,770	139,114	(18,656)	-11.8%
Nicaragua	20,633	26,876	6,243	30.3%
Uruguay	19,514	22,855	3,341	17.1%
Total	638,370	600,363	(38,007)	-6.0%

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

Imports as of August 5, 2017

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

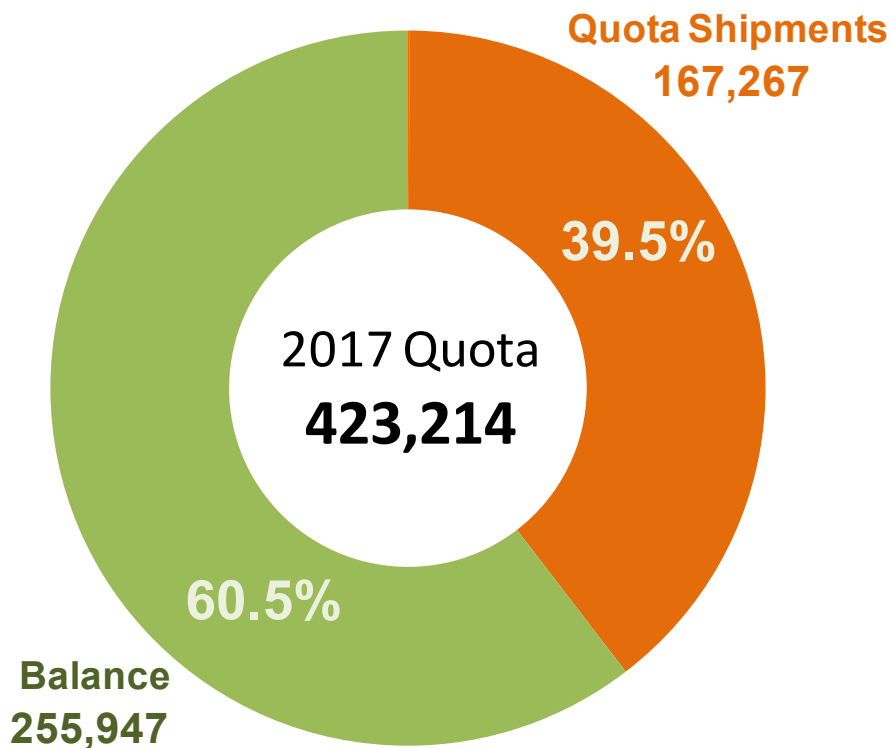


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

14-Aug-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 14

Source: US Customs

