



US Imported Beef Market

A Weekly Update

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

Market Highlights for the Week:

- Imported prices continue to slowly drift lower on light trading
- Continued decline in US fed cattle prices and outlook for lower beef prices in the fall have negatively impacted forward imported beef sales
- New Zealand supply availability remains limited but market participants note higher shipments of Australian beef in August
- Large spread between domestic 90CL and 85CL beef trimmings
- Retail ground beef margins improve and are back to normal historical levels for this time of year

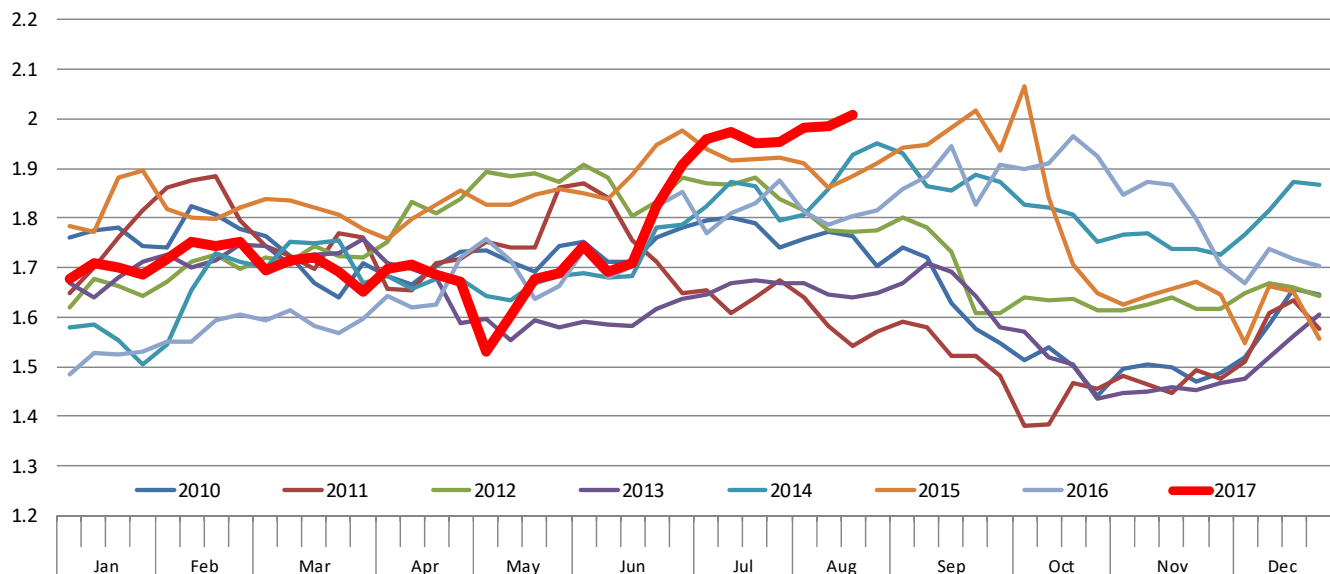
Imported Market Activity for the Week

Prices for imported beef were for the most part steady to modestly lower this week on light volume. Some market participants indicating that overseas suppliers opted to pass on lower bids but that some business was done at levels slightly under last week. New Zealand supplies are quite limited at this time of year and larger slaughter in Australia has increased availability. Packers there appear to be finding better demand for lower CL products in other markets. There is also a lot of confusion as to

the wide gap between domestic and imported lean beef during this time of year, when traditionally the gap between imports and domestic beef narrows and often imported trades at a premium. We will touch on some of the factors that may be contributing to the high price of lean beef on page 2. But we continue to be of the opinion that the major reason for the decline in forward bids for imported beef has to do with the sharp decline in US fed cattle prices and expectations for lower domestic beef values in the fall. Consider that the October futures contract a month ago was trading at near \$119/cwt. Tonight it

RATIO OF DOMESTIC 90CL BEEF TRIMMINGS VS. FED STEER PRICES. 2010 - 2017

Weekly Price Ratio. USDA Wt. Avg.



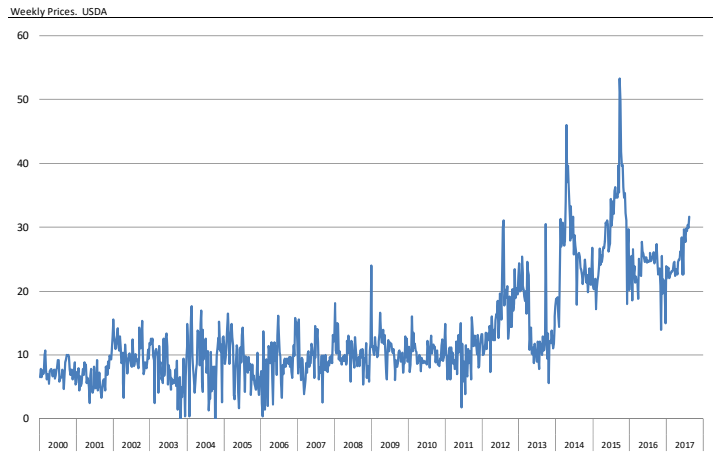
closed at \$106/cwt, a n 11% decline in price. Imported beef prices which were trading somewhere around \$225-230 (FOB Philly) a few weeks ago are now trading at around \$210 on the low end of the range, a 9% decline. The chart on page 1 shows the ratio of domestic lean fresh beef to the price of fed steers. As you can see in recent years there has been quite a wide variance in the ratio going into the fall. The range for October has been somewhere between 1.4 and 1.9. So even if we were to take the high side of the range and current fed cattle futures prices of \$106/cwt, the implied 90CL price results to be just a little over \$200/cwt. This is far from a given, however as we could see fed cattle prices recover from current levels or we could see 90CL beef price multiples continue to outpace historical levels. After all current multiples are above what we have seen in the last few years. But for buyers that need to commit on future deliveries, the current futures data and historical relationships are critical factors to consider.

Why are domestic fresh lean beef prices so high?

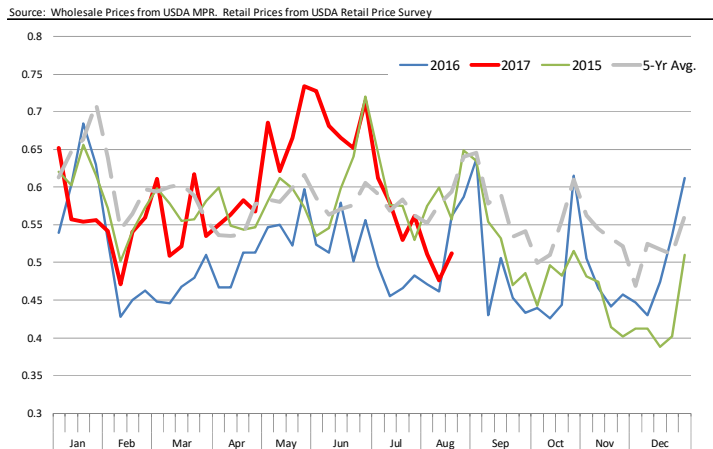
There is no arguing that demand for domestic lean fresh beef is stronger than many expected. After all non-fed slaughter in recent weeks has been running as much as 12% above a year ago and yet we have not seen a break in the market for lean beef. What is also somewhat puzzling is that domestic lean cow meat prices have managed to sustain these levels even as some fed beef cuts are now near or even below grinding value. The price of choice and select knuckles tonight closed at around \$231/cwt, the same price as 90CL trimmings. Flats, which can be anywhere between 85CL and 92CL, closed tonight at \$204/cwt. Fed cattle slaughter is expected to run high at least through October and this is seen as one factor that will eventually pressure lean beef values lower. Some of the other factors that may be contributing to the firm price for lean/extra lean domestic:

- More foodservice operators are looking to buy fresh. And with fat trim values in recent years being relatively low, demand has shifted towards leaner products. The chart above shows the dollar spread between domestic 90CL and 85CL beef trim. The spread is currently around 30 cents but it has been trending higher for the last few years.
- Traditional fast food operators, who have been some of the largest users of imported frozen beef are facing increased competition from smaller concepts. The point of differentiation for some

SPREAD BETWEEN DOMESTIC FRESH 90CL BONELESS BEEF AND DOMESTIC FRESH 85CL BONELESS BEEF



RATIO OF 81CL WHOLESALE GROUND BEEF VS. RETAIL 80-89% GROUND BEEF RETAIL PRICE



challengers is that they use fresh domestic

- We have noted that there has been a significant premium for 100VL product, especially for 100VL insides. We think this has to do with the extraordinary demand from premium jerky manufacturers and the explosion in this category. Given the premiums it makes sense to lean up as much of this product as possible and sell that way.

Could the improving retail margins bolster ground beef demand in the fall?

The chart above shows the ratio of the wholesale 81CL coarse ground price vs. the retail price of 80-89% ground beef. One can look at this as a proxy for retailer margins. The lower the ratio of the wholesale price to the retail price the more money in the retailers pocket. We use the ratio rather than absolute value since over time price inflation tends to increase the absolute values. One thing that stands out from the chart above is that retailer margins came under significant pressure in the spring. But that is not terribly unusual.

Also, one has to consider that retailers book some volume out front, which is not captured by doing this comparison. But the main point for the chart is what happens in the fall. It is not unusual for the ratio to decline and retailer margins to improve. The current decline in the ratio is not different from what we saw last year and also in line with the five year average. In other words, the improvement in the margin is the norm and should not stimulate any significant retail promotions than in other years. What could support US fed cattle prices, and thus lean beef prices as well, is the increase in packer forward sales for the fall. We think those forward sales and more current feedlot supplies should underpin fed cattle values later this year and in early 2018.

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.

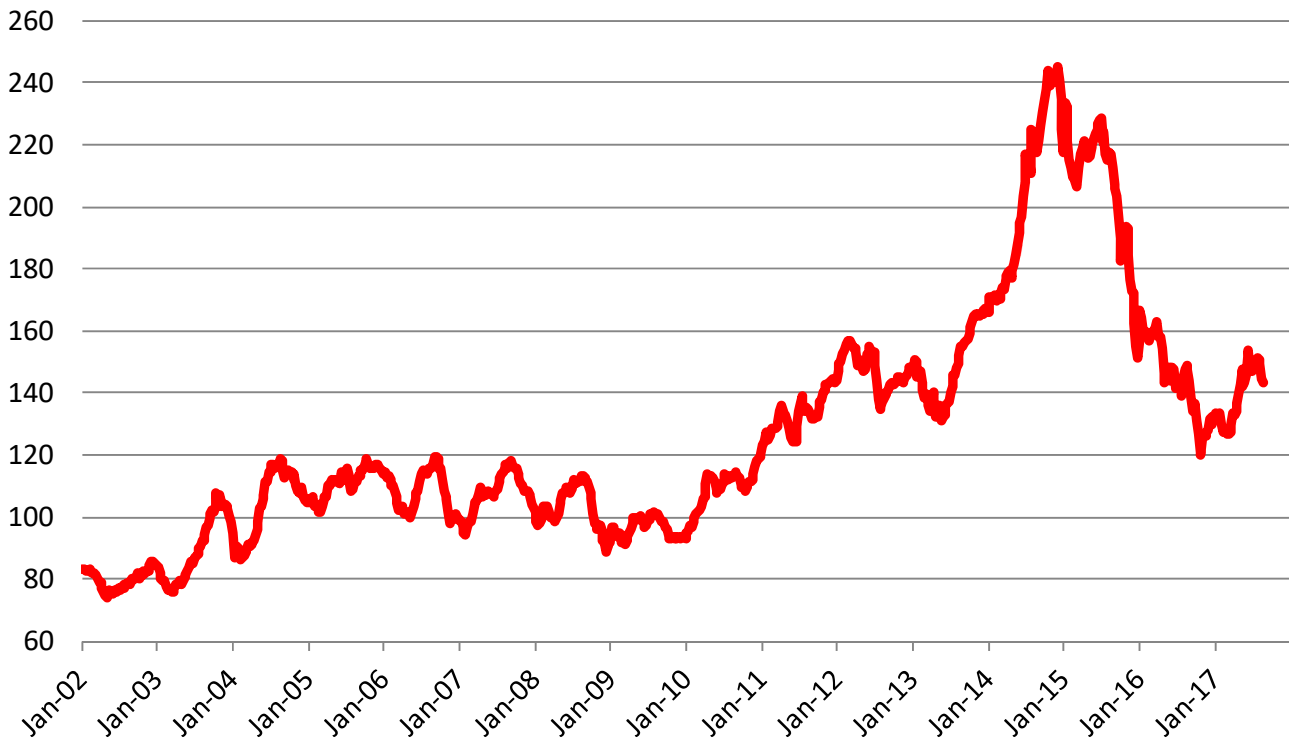
Prices for 42CL and 72CL pork trim also declined as much as 15 cents a pound this week and are now under year ago levels.

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
	22-Aug-17	15-Aug-17		23-Aug-16	
CME FEEDER CATTLE INDEX	143.38	144.49	-0.8%	147.73	-2.9%
	23-Aug-17	16-Aug-17		24-Aug-16	
FED STEER (5-MKT AVG)	109.68	115.09	-4.7%	117.35	-6.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	113.00	116.00	-2.6%	137.50	-17.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	119.50	126.50	-5.5%	134.00	-10.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	112.50	115.00	-2.2%	127.00	-11.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	180.76	180.90	-0.1%	170.87	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
	23-Aug-17	21-Aug-17	16-Aug-17	14-Aug-17		24-Aug-16	23-Aug-16	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	215.0	218.0	217.0	220.0	-2.0	221.0	223.0	-5.0
90 CL Blended Cow	200.0	201.0	198.0	202.0	-1.0	197.0	200.0	1.0
90 CL Shank		200.0	195.0	200.0	0.0	197.0	198.0	2.0
85 CL Fores	185.0	188.0	187.0	189.0	-1.0	185.0	186.0	2.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	215.0	217.0	216.0	220.0	-3.0	221.0	222.0	-5.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	185.0	186.0	186.0	188.0	-2.0	183.0	184.0	2.0
80 CL Trimmings		175.0	170.0	175.0	0.0	169.0	171.0	4.0
75 CL Trimmings	164.0	165.0		UNQ	N/A		UNQ	N/A
65 CL Trimmings	120.0	125.0	115.0	120.0	5.0	110.0	112.0	13.0
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	270.0	275.0	270.0	275.0	0.0	285.0	290.0	-15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	220.0	230.0		UNQ	N/A	215.0	220.0	10.0
Steer Knuckles		240.0		250.0	-10.0	220.0	225.0	15.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	23-Aug-17	23-Aug-17	16-Aug-17	16-Aug-17		24-Aug-16	24-Aug-16	
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	229.0	231.0	230.0	232.0	-1.0	228.0	230.0	1.0
90 CL Blended Cow	210.0	212.0	210.0	212.0	0.0	206.0	209.0	3.0
90 CL Shank		210.0	209.0	210.0	0.0	207.0	208.0	2.0
85 CL Fores	199.0	200.0	198.0	200.0	0.0	192.0	193.0	7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	229.0	228.0	229.0	0.0	228.0	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	198.0	199.0	197.0	199.0	0.0	190.0	191.0	8.0
80 CL Trimmings	184.0	185.0	179.0	181.0	4.0	174.0	175.0	10.0
75 CL Trimmings	171.0	172.0		UNQ	N/A		UNQ	N/A
65 CL Trimmings		130.0	123.0	125.0	5.0	114.0	116.0	14.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	295.0	300.0	-20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	230.0	235.0		UNQ	N/A	230.0	235.0	0.0
Steer Knuckles		255.0	250.0	255.0	0.0	235.0	240.0	15.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	23-Aug-17		16-Aug-17			24-Aug-16		
<u>Domestic Cutouts</u>								
Choice Cutout	192.33		197.51		-5.2	200.32		-8.0
Select Cutout	189.47		195.04		-5.6	193.73		-4.3
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	231.0	233.0	231.0	231.0	2.0	211.0	218.9	14.1
85 CL Beef Trimmings	199.0	201.0	196.0	203.0	-2.0	187.0	196.0	5.0
50 CL Beef Trim	51.1	87.1	67.0	69.0	18.1	46.1	56.0	31.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	44.0	54.3	49.0	65.1	-10.9	45.0	59.3	-5.0
72 CL Pork Trim	55.0	76.3	60.0	79.9	-3.6	55.0	78.3	-2.0
<u>Point of Lean Values</u>								
90 CL Domestic	258.9		256.7		2.2	243.3		15.6
50 CL Beef Trimming	174.2		138.0		36.2	112.1		62.1
42 CL Pork Trim	129.2		155.0		-25.9	141.1		-11.9
72 CL Pork Trim	105.9		110.9		-5.0	108.7		-2.8
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	109.68		115.09		-5.4	117.35		-7.7

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
	23-Aug-17	16-Aug-17			24-Aug-16		
<u>Live Cattle Futures</u>							
August '17	105.650	109.700	↓	-4.05	112.725	↓	-7.07
October '17	106.175	108.500	↓	-2.33	108.900	↓	-2.73
December '17	109.100	110.450	↓	-1.35	110.150	↓	-1.05
February '18	111.325	112.450	↓	-1.13	109.950	↑	1.38
<u>Feeder Cattle Futures</u>							
August '17	141.625	143.025	↓	-1.40	146.650	↓	-5.03
September '17	141.900	143.925	↓	-2.03	143.000	↓	-1.10
October '17	141.700	143.600	↓	-1.90	139.075	↑	2.63
November '17	141.600	143.550	↓	-1.95	139.075	↑	2.53
<u>Corn Futures</u>							
September '17	342	353 1/4	↓	-11.25	327 1/2	↑	14.50
December '17	355 3/4	367	↓	-11.25	336 1/4	↑	19.50
March '18	368 1/4	378 1/4	↓	-10.00	346	↑	22.25
May '18	374 3/4	385	↓	-10.25	352 3/4	↑	22.00
<u>Ch Wheat Futures</u>							
September '17	403 1/4	422 3/4	↓	-19.50	404	↓	-0.75
December '17	430	449 3/4	↓	-19.75	426 1/4	↑	3.75
March '18	453	472	↓	-19.00	448 1/2	↑	4.50
May '18	467 3/4	487 1/4	↓	-19.50	462 1/4	↑	5.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	23-Aug-17	16-Aug-17			24-Aug-16		
Total Cattle Slaughter	636,000	638,000	↓	-2,000	602,000	↑	34,000
	5-Aug-17	29-Jul-17			6-Aug-16		
Total Cow Slaughter	107,082	105,238	↑	1,844	96,800	↑	10,282
Dairy Cow Slaughter	56,740	54,968	↑	1,772	52,000	↑	4,740
Beef Cow Slaughter	50,342	50,270	↑	72	44,800	↑	5,542

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

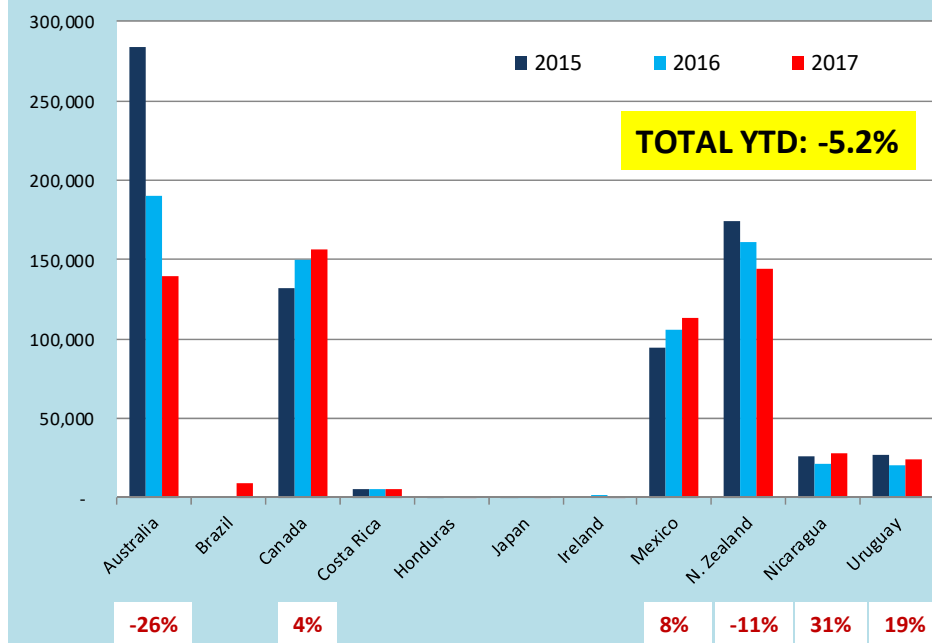
YTD Imported Fresh Beef Passed for Entry in the US

week 32	8/6/2016	8/12/2017		
Australia	189,966	139,925	(50,041)	-26.3%
Brazil	-	9,022		
Canada	149,970	156,512	6,542	4.4%
Chile	358	202	(156)	-43.6%
Costa Rica	5,938	5,177	(761)	-12.8%
Honduras	-	170	170	
Japan	136	228	92	67.6%
Ireland	1,565	1,355	(210)	-13.4%
Mexico	105,747	113,705	7,958	7.5%
Netherlands	-	228		
New Zealand	161,424	144,199	(17,225)	-10.7%
Nicaragua	21,162	27,750	6,588	31.1%
Uruguay	20,329	24,251	3,922	19.3%
Total	656,594	622,727	(33,867)	-5.2%

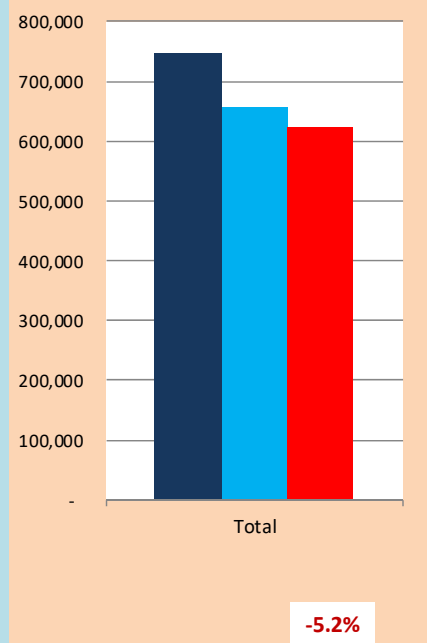
US Beef Imports. Metric Ton. Data Source: USDA/Agricultural Marketing Service

Imports as of August 12, 2017

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



Total

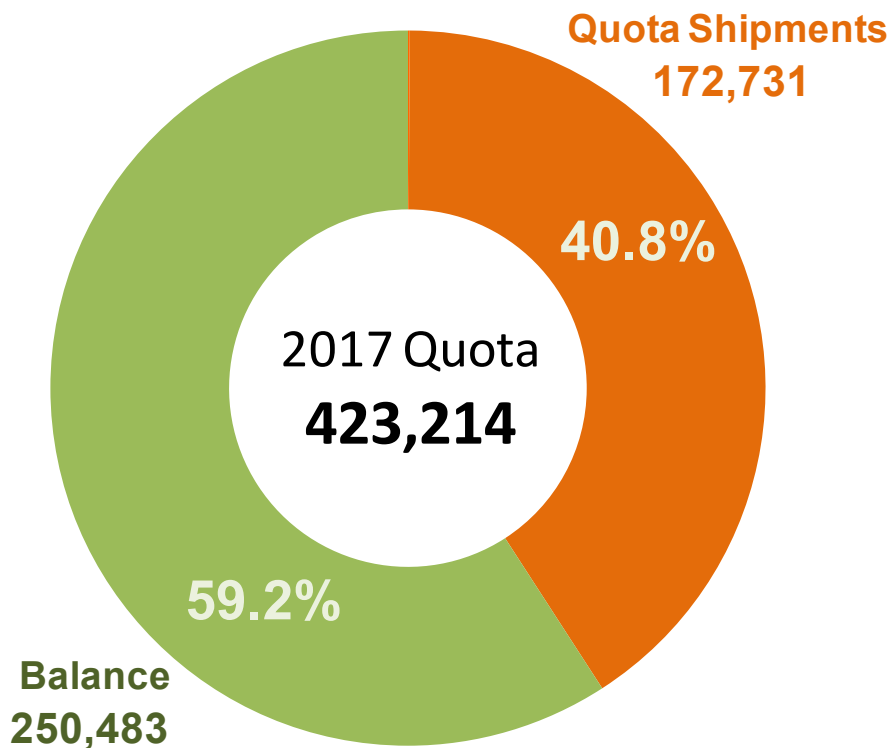


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

21-Aug-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 21

Source: US Customs

