



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:

- Imported prices generally steady this week as market participants wait and see how business develops after Labor Day weekend
- Opinions differ on price direction after Labor Day, with some market participants expecting still fed slaughter to remain quite large well into October
- Futures were unsettled this week, losing ground on Monday and Tuesday but then finding their footing today
- US beef packer margins remain large but packers also report increasing labor challenges as weekend shifts stretch into the fall
- Imported beef now trading at a discount to domestic and manufacturing beef availability increases

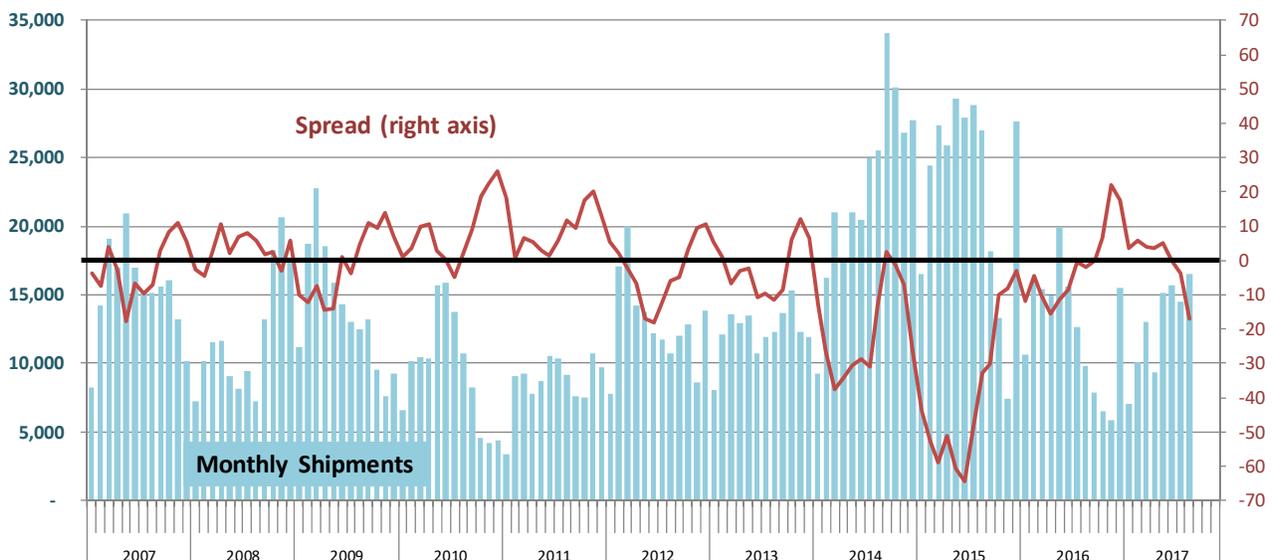
Imported Market Activity for the Week

Prices for imported beef were largely steady this week on light volume and vastly different price ideas among US end users and overseas packers. Prices for fat beef trimmings were lower, which reflects the ongoing weakness in the market for domestic fat beef trim. Fat trim offerings remain very thin as Asian markets currently command a premium over US values. Lean beef availability in New Zealand is also quite limited at this time of year so it is no surprise that packers there have very little prod-

uct to offer in the US market. Some market participants thought that Australian packers probably have more beef to offer in late September and October but so far have had trouble finding beef for significant volume. Large end users continue to complain about weak customer traffic. As we have noted in our past reports, this may be due to a significant increase in new restaurant opening, which invariably use domestic fresh beef. Prices for round cuts generally steady, with domestic fed cuts now at a modest discount to imported product.

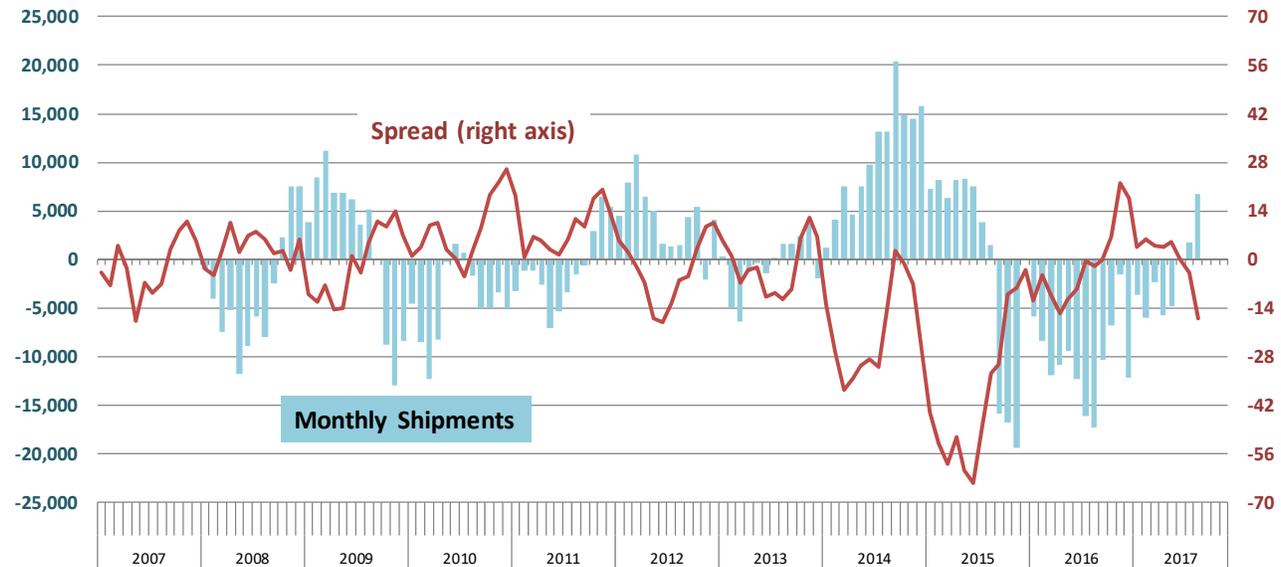
AUSTRALIAN MONTHLY MANUFACTURING BEEF SHIPMENTS TO THE US VS. 90CL SPREAD

Manufacturing Export Data from MLA. Spread Calculated as Domestic 90CL Fresh minus Imported 90CL Frozen



Y/Y CHANGE IN MANUFACTURING AUSTRALIAN SHIPMENTS VS. 90CL SPREAD

Manufacturing Export Data from MLA. Spread Calculated as Domestic 90CL Fresh minus Imported 90CL Frozen



90CL spread and firm prices for domestic lean beef

Imported beef has been trading at a discount in recent weeks and we think this is in part due to the increase in the availability of manufacturing beef from Australia. The chart on page 1 and the chart above depict the same thing but slightly differently. On page 1 we show the monthly volume of manufacturing beef that Australia has shipped to the US for the past decade. We think that as Australia ships more / less manufacturing beef to the US, this directly impacts the relative value of lean imported beef vs. the domestic product. There is a certain level of demand for frozen imported beef. When there is a shortfall in the availability of frozen imported product, regular users are forced to pay a premium in order to maintain the product flow. Because some plants are located along the coast, users may be willing to pay a premium for imported because it still provides a freight savings vs. domestic product. However, the spread is capped by the fact that ultimately end users can go and purchase domestic to fill their needs. On the other hand, when supplies of imported frozen beef increase significantly, this can lead to a very large spread since many retail and foodservice operators simply do not have the option to use frozen imported beef. During the period Aug 2016 through April 2017, shipments of Australian frozen manufacturing beef to the US averaged around 9,500 MT/month, an average shortfall of 7300 MT/month compared to the same period the prior year. The last time we saw a similar shortfall was in the fall/winter of 2010-11. More recently, however, shipments of Australian manufacturing beef has

started to increase. According to data provided by MLA, Australian shipments of manufacturing beef to the US in June and July were around 15,000 MT. Based on the current level of total exports, we would think that August shipments of manufacturing beef have exceeded 16,000 MT, which would be the largest level of shipments since May of 2016. The chart above shows the year/year change in the volume of Australia manufacturing shipments to the US. As we noted before, sharp reductions in the volume of beef coming to the US result in the imported product trading at a premium to domestic product. But the level of premiums and discounts is not perfectly correlated each month but directionally it proves to be a relatively good indicator. Expectations are for Australian manufacturing beef shipments to be larger in Sep-Nov relative to a year ago, implying imported beef could continue to trade at a discount to domestic product. The overall volume of manufacturing beef available is an important consideration, as is the supply coming from other markets, particularly New Zealand. In the fall of 2011, the volume of manufacturing beef from Australia increased vs. the previous year and yet it was relatively small (see previous chart). When we run a regression of the monthly manufacturing beef vs. the 90CL spread (after adjusting for outliers), the results show that for every 1000 MT increase in manufacturing beef shipments, the discount of imported beef increases by 1.4 cents per pound. However, historically we have noted that the relationship is not linear and as the volumes exceed 20,000 MT, the spread with domestic tends to increase more rapidly. **Bottom line:** When considering the spread between imported and domestic, one would be well served to pay attention to the volume of manufacturing beef our largest lean beef supplier is shipping.

Domestic Price Summary

Prices for 90CL boneless beef were quoted at 235 US cents on the top side, 2 cents higher than a week ago but and 19 cents higher than year ago levels. **The weighted average price tonight was quoted at 229 cents, however, 2 cent lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 199 cents, 2 cents lower than last week but 11 cents higher than last year. The weighted average price for 85CL beef was 197 cents a pound, 2 cents lower than a week ago. 50CL beef price was 72.3 cents on the high side, 4 cents lower than last week but still 11 cents higher than last year. Prices for fat beef trim on a weighted average basis were around 52 cents, however, a 15 cent decline from a year ago.

Prices for 42CL and 72CL pork trim continue to decline as hog slaughter starts the seasonal increase while demand generally softens into the fall. Current prices are down 5-10 cents from a week ago and they are now as much as 10 cents under a year ago (for fat trim).

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
	29-Aug-17	22-Aug-17		30-Aug-16	
CME FEEDER CATTLE INDEX	143.34	143.38	0.0%	143.71	-0.3%
	30-Aug-17	23-Aug-17		31-Aug-16	
FED STEER (5-MKT AVG)	106.74	109.68	-2.7%	112.79	-5.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	110.00	113.00	-2.7%	131.50	-16.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	117.50	119.50	-1.7%	129.00	-8.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	111.00	112.50	-1.3%	124.00	-10.5%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	180.42	180.76	-0.2%	168.83	6.9%

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
	30-Aug-17		23-Aug-17			31-Aug-16		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	215.0	220.0	215.0	218.0	2.0	220.0	221.0	-1.0
90 CL Blended Cow	200.0	201.0	200.0	201.0	0.0	197.0	200.0	1.0
90 CL Shank		200.0		200.0	0.0	197.0	199.0	1.0
85 CL Fores	185.0	190.0	185.0	188.0	2.0	185.0	186.0	4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	215.0	218.0	215.0	217.0	1.0	219.0	221.0	-3.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	185.0	188.0	185.0	186.0	2.0	183.0	184.0	4.0
80 CL Trimmings	175.0	177.0		175.0	2.0	170.0	171.0	6.0
75 CL Trimmings	164.0	165.0	164.0	165.0	0.0	157.0	158.0	7.0
65 CL Trimmings	115.0	117.0	120.0	125.0	-8.0	110.0	112.0	5.0
<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	220.0	230.0	0.0	215.0	220.0	10.0
Steer Knuckles		240.0		240.0	0.0	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
	30-Aug-17		23-Aug-17			31-Aug-16		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	228.0	232.0	229.0	231.0	1.0	227.0	229.0	3.0
90 CL Blended Cow	210.0	213.0	210.0	212.0	1.0	206.0	208.0	5.0
90 CL Shank	210.0	211.0		210.0	1.0	207.0	208.0	3.0
85 CL Fores	200.0	201.0	199.0	200.0	1.0	192.0	193.0	8.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	230.0	228.0	229.0	1.0	227.0	228.0	2.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	199.0	200.0	198.0	199.0	1.0	191.0	192.0	8.0
80 CL Trimmings	184.0	185.0	184.0	185.0	0.0	176.0	177.0	8.0
75 CL Trimmings	171.0	172.0	171.0	172.0	0.0	161.0	163.0	9.0
65 CL Trimmings	120.0	123.0		130.0	-7.0	115.0	116.0	7.0
<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	230.0	235.0	0.0	230.0	235.0	0.0
Steer Knuckles	250.0	255.0		255.0	0.0	235.0	240.0	15.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	<i>Current Week</i>		<i>Prior Week</i>		<i>Change From Last Week</i>	<i>Last Year</i>		<i>Change from Last Year</i>
	30-Aug-17		23-Aug-17			31-Aug-16		
<u>Domestic Cutouts</u>								
Choice Cutout	191.72		192.33		-0.6	196.49		-4.8
Select Cutout	191.12		189.47		1.7	189.71		1.4
<u>Domestic Lean Grinding Beef</u>								
90 CL Boneless	228.0	235.0	231.0	233.0	2.0	208.0	216.3	18.7
85 CL Beef Trimmings	196.0	199.0	199.0	201.0	-2.0	175.0	188.0	11.0
50 CL Beef Trim	40.6	63.3	51.1	87.1	-23.9	34.7	52.1	11.1
<u>Domestic Pork Trim</u>								
42 CL Pork Trim	30.2	44.3	44.0	54.3	-10.0	34.1	54.4	-10.1
72 CL Pork Trim	53.0	72.3	55.0	76.3	-4.0	48.0	68.3	4.0
<u>Point of Lean Values</u>								
90 CL Domestic	261.1		258.9		2.2	240.4		20.7
50 CL Beef Trimming	126.5		174.2		-47.7	104.2		22.3
42 CL Pork Trim	105.4		129.2		-23.8	129.4		-24.1
72 CL Pork Trim	100.3		105.9		-5.6	94.8		5.6
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	106.74		109.68		-2.9	112.79		-6.1

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
	30-Aug-17	23-Aug-17			31-Aug-16		
<u>Live Cattle Futures</u>							
August '17	105.550	105.650	↓	-0.10	111.950	↓	-6.40
October '17	106.125	106.175	↓	-0.05	106.575	↓	-0.45
December '17	109.350	109.100	↑	0.25	108.375	↑	0.97
February '18	112.250	111.325	↑	0.92	108.550	↑	3.70
<u>Feeder Cattle Futures</u>							
August '17	142.900	141.625	↑	1.28	140.525	↑	2.38
September '17	143.750	141.900	↑	1.85	138.350	↑	5.40
October '17	144.125	141.700	↑	2.43	135.425	↑	8.70
November '17	144.550	141.600	↑	2.95	135.425	↑	9.13
<u>Corn Futures</u>							
September '17	329 1/2	342	↓	-12.50	301 1/2	↑	28.00
December '17	345 1/2	355 3/4	↓	-10.25	315 1/2	↑	30.00
March '18	358 1/4	368 1/4	↓	-10.00	326	↑	32.25
May '18	365 3/4	374 3/4	↓	-9.00	333 1/2	↑	32.25
<u>Ch Wheat Futures</u>							
September '17	403 1/2	403 1/4	↑	0.25	361	↑	42.50
December '17	429 3/4	430	↓	-0.25	388 1/4	↑	41.50
March '18	452 3/4	453	↓	-0.25	410 1/4	↑	42.50
May '18	466	467 3/4	↓	-1.75	424 1/4	↑	41.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	30-Aug-17	23-Aug-17			31-Aug-16		
<u>Total Cattle Slaughter</u>	636,000	636,000	↓	0	607,000	↑	29,000
	12-Aug-17	5-Aug-17			13-Aug-16		
<u>Total Cow Slaughter</u>	110,212	107,082	↑	3,130	97,300	↑	12,912
<u>Dairy Cow Slaughter</u>	57,318	56,740	↑	578	53,300	↑	4,018
<u>Beef Cow Slaughter</u>	52,894	50,342	↑	2,552	44,000	↑	8,894

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

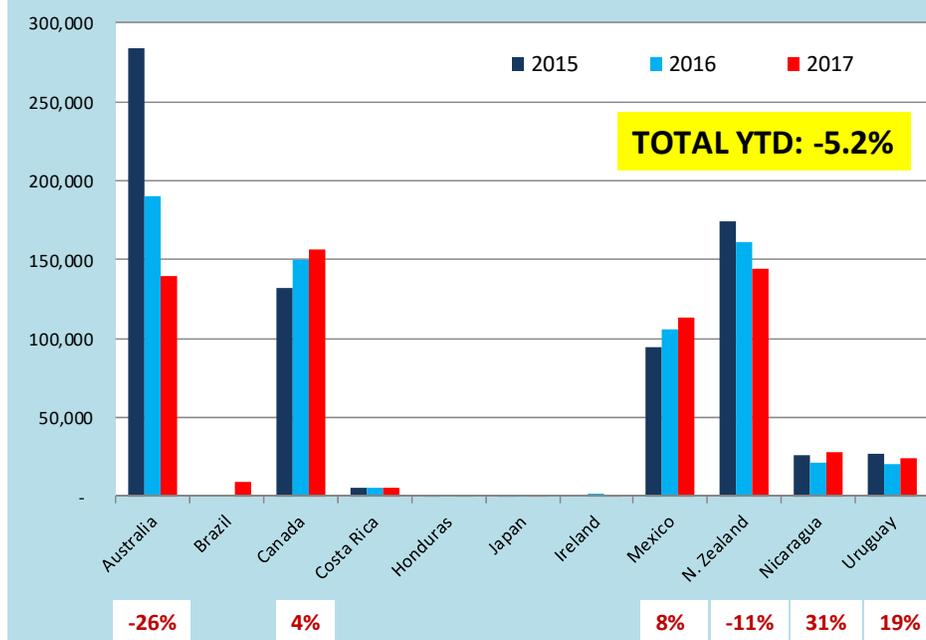
YTD Imported Fresh Beef Passed for Entry in the US

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

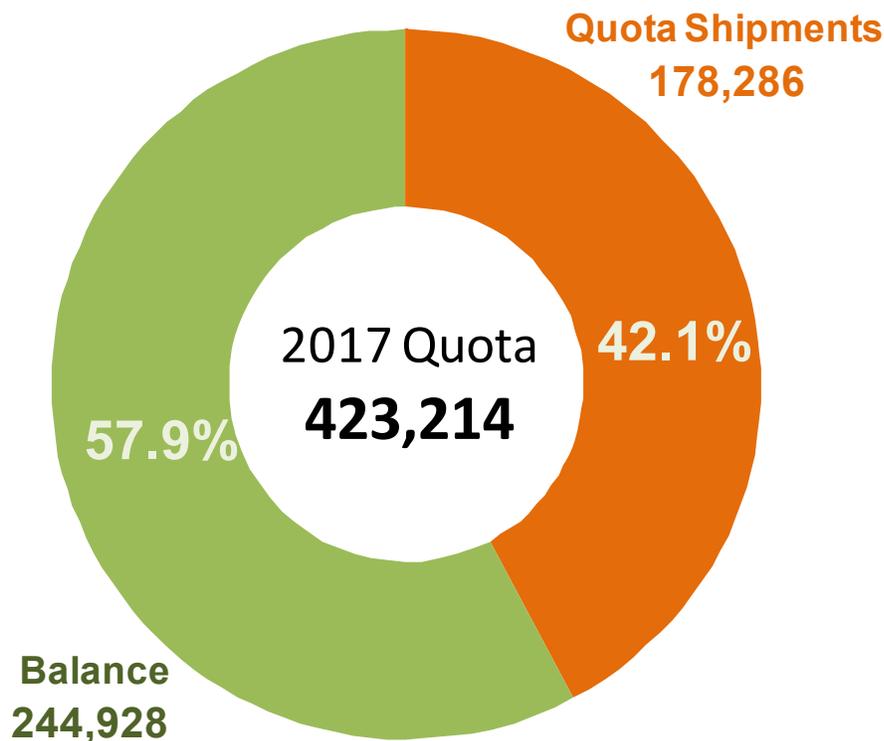


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

Australian Beef Quota Position

28-Aug-17

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending August 28

Source: US Customs

