



# US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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## Market Highlights for the Week:

- Imported prices gain ground this week on limited availability in the spot market and increased interest from US end users, especially for lean beef
- End user interest likely was buoyed following a notable improvement in the outlook for fed cattle later this fall
- USDA currently projects a notable increase in Q4 US beef production followed by a substantially lower output level in Q1
- Fat trim beef prices in the US domestic market continue to remain under pressure due to large slaughter and seasonally higher cattle carcass weights
- Forward beef sales from US packers point to strong retail features before and after Thanksgiving (Nov 23)

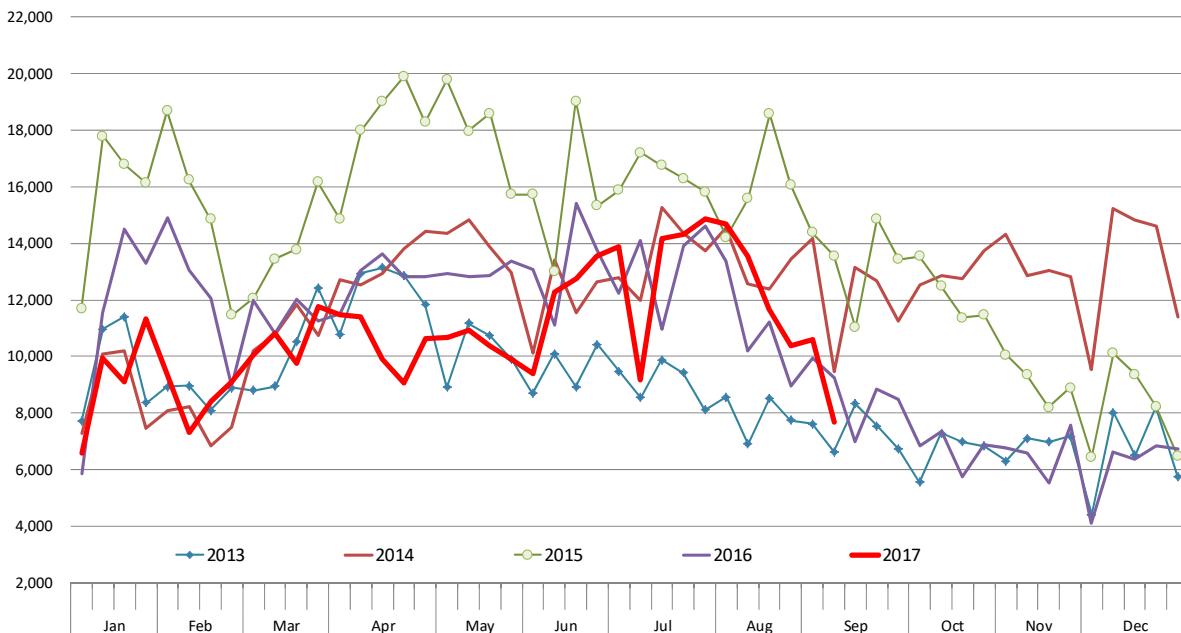
## Imported Market Activity for the Week

Prices for imported beef appeared to abruptly change course this week as end users were more actively looking for product, especially lean and extra lean grinding beef. On the other hand, US importers appear to have relatively limited supplies on hand. Some traders that took shorts earlier now have to scramble to find the product to cover those short positions. We think a couple of factors have contribut-

ed to the change in the imported beef situation in recent days. On the supply side, the chart below shows the trend in imports from countries that ship mostly grinding beef to the US. The data charted below is a subset of the import data that is included in the table on page 9. In the below calculation we have included only imports from Australia, Brazil, Central America, New Zealand and Uruguay. According to USDA, for the week ending September 9 imports of fresh/frozen beef from these countries

BEEF IMPORTS from **MAJOR GRINDING BEEF EXPORTING COUNTRIES**. FR/FZ BEEF ONLY. MT

Data Source: USDA Livestock, Poultry & Grain Market News



were 7,681 MT, which is a very significant shift from the situation between mid July and mid August when weekly imports from grinding beef supplying countries were averaging over 14,000 MT/wk. With less beef available traders/importers are not very keen to counter some of the lower bids that some end users still are throwing around. New Zealand supplies are near their seasonal lows at this time and they continue to hold firm in some of their offerings, again quite a shift compared to even a couple of weeks ago.

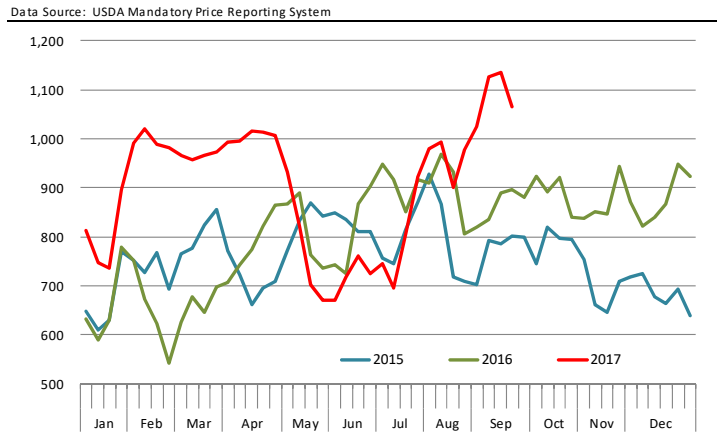
On the demand side, and here we mean demand from end users rather than retail consumer demand, the situation appears to have shifted as well. For much of August and early September end users were faced with a steady erosion in fed cattle prices and a downward trending cattle futures market. As a result, they were comfortable sitting on their hands and limiting their forward purchases. It was not a good situation for importers/traders that were looking to generate some interest in significant volume of grinding beef that entered in the summer months. In recent days some of this dynamic appears to have changed. CME fed cattle futures for October and December were up almost the daily limit during today's trading. The December fed cattle futures has established a notable upward trend in recent sessions. In mid August, the December 2017 fed cattle futures contract (see chart) traded as low as \$106/cwt. Tonight it closed at \$116.25/cwt, with much of this 9% increase taking place in the last few days. The point of this discussion is that as odds of price appreciation later this year and early new year have increased, it has likely impacted the price risk perception among end users and contributed to the increase in activity that we observed this week.

Retailers appear to be preparing for more beef features later this year and in early 2018. The latest USDA comprehensive cutout report indicated a notable increase in all forward sales categories. During the last four weeks, beef sales for delivery 22-60 days forward are up 19% than the lofty levels established a year ago. If retailers promoted beef aggressively late last year and in the first half of 2017, they are on track to do so even more this year. Beef sales for delivery 90 days or more into the future have increased even more. For the last four weeks those sales are running 50% above last year, we think largely reflecting beef promotions for post Thanksgiving and into Christmas. This large volume is expected to be supported by relatively large slaughter during Q4 of this year. There is a lot of debate in the industry at this time about the volume of beef that is expected to come in Q4 of this year and in Q1 of next year.

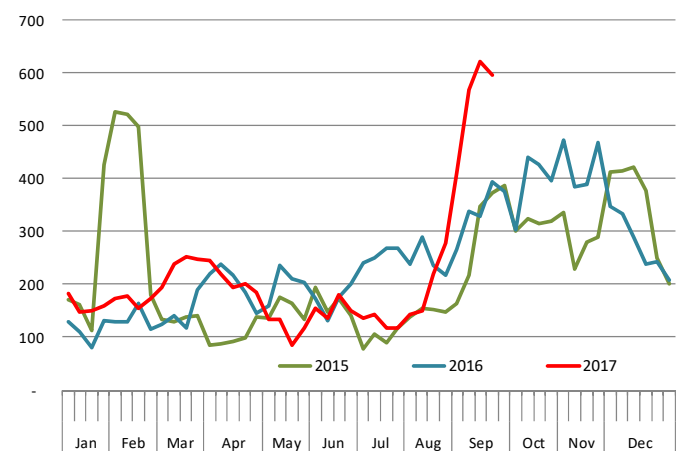
**Fed Cattle Futures, December 2017 Contract, \$/cwt**



**Beef Loads Sold For Delivery 22 - 60 Days. 4-WK MA**



**Loads Sold For Delivery +91 Days. 4-WK MA**



USDA has presented a very stark forecast in that regard. They expect beef production in Q4 to increase by as much as 7% compared to a year ago. Some analysts with which we discussed this believe USDA comes to this conclusion by a) maintaining the same marketing rate for Q4 as a year ago, which was historically quite large; b) by factoring a larger fed cattle weights despite

more cows/heifers in the mix. Some private analysts, us included, do not expect such a big increase in slaughter during Q4 and then a sharp Q/Q decline in Q1 of next year. We expect that the large spread between Oct/Dec/Jan cattle futures will encourage producers to slow down marketings to a more seasonal rate. Producers placed more cattle on feed in June but they tended to skew light (i.e. more cattle in the 600 pounds and under category). Placements in July were down and placements in August are also expected to be lower than last year. The implications of this discussion are significant. If USDA is correct, then it would imply a notable increase in beef supplies, and especially supplies of fat beef trimmings later this year. Fat trim prices have come under pressure recently and large slaughter will tend to limit fat beef trim price inflation through the end of 2017. But a sharp reduction in slaughter in Q1 compared to the previous quarter could quickly alter the fat trim supply situation at a time when ground beef demand starts to improve. This could lead to a dramatic change in the price of fat trim between winter and spring, something that we also observed in 2017.

### Domestic Price Summary

Prices for 90CL boneless beef were quoted at 228 US cents on the top side, 4.5 cents lower than a week ago but still 20 cents higher than year ago levels. **The weighted average price tonight was quoted at 223.75 cents, however, 4 cent lower than a week ago.** 85CL beef trim price on the top side was quoted tonight at 195 cents, unchanged compared to last week and now 15 cents higher than last year. The weighted average price for 85CL beef was 187 cents a pound, 2 cents lower than a week ago. 50CL beef price was 51.5 cents on the high side, 3.5 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 45 cents, however, a 3 cent increase from a year ago.

Prices for 42CL and 72CL pork trim were mixed compared to the previous week. Higher supplies into the fall should keep the pork trim market well supplied.

# 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
	19-Sep-17	12-Sep-17		20-Sep-16	
CME FEEDER CATTLE INDEX	150.46	149.02	1.0%	134.58	11.8%
	20-Sep-17	13-Sep-17		21-Sep-16	
FED STEER (5-MKT AVG)	105.85	104.92	0.9%	109.20	-3.1%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	116.50	120.00	-2.9%	123.00	-5.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	111.00	113.00	-1.8%	123.00	-9.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	102.00	107.50	-5.1%	115.00	-11.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	176.55	179.42	-1.6%	161.35	9.4%

### 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
	20-Sep-17	22-Sep-17	13-Sep-17	15-Sep-17		21-Sep-16	22-Sep-16	
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	221.0	224.0	215.0	217.0	7.0	210.0	213.0	11.0
<b>90 CL Blended Cow</b>	203.0	205.0	198.0	200.0	5.0	189.0	192.0	13.0
<b>90 CL Shank</b>	200.0	202.0	198.0	199.0	3.0	190.0	193.0	9.0
<b>85 CL Fores</b>	188.0	190.0	185.0	190.0	0.0	181.0	182.0	8.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	220.0	221.0	214.0	216.0	5.0	210.0	211.0	10.0
<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>	187.0	189.0	185.0	189.0	0.0	180.0	181.0	8.0
<b>80 CL Trimmings</b>	173.0	175.0	170.0	173.0	2.0	160.0	162.0	13.0
<b>75 CL Trimmings</b>	162.0	163.0	160.0	164.0	-1.0	150.0	153.0	10.0
<b>65 CL Trimmings</b>	110.0	113.0	110.0	114.0	-1.0	109.0	110.0	3.0
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	270.0	275.0	265.0	270.0	5.0	270.0	275.0	0.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	225.0	230.0	220.0	225.0	5.0	200.0	205.0	25.0
<b>Steer Knuckles</b>	240.0	245.0	235.0	240.0	5.0	210.0	215.0	30.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	20-Sep-17	23-Sep-17	13-Sep-17	16-Sep-17		21-Sep-16	28-Sep-16	
<b><i>US East Coast Australian/NZ Lean, FOB US Port</i></b>								
<b>95 CL Bull, E. Coast</b>	231.0	232.0	226.0	227.0	5.0	220.0	224.0	8.0
<b>90 CL Blended Cow</b>	212.0	214.0	210.0	212.0	2.0	201.0	202.0	12.0
<b>90 CL Shank</b>	211.0	212.0	210.0	211.0	1.0	203.0	204.0	8.0
<b>85 CL Fores</b>	195.0	196.0	197.0	198.0	-2.0	187.0	189.0	7.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	230.0	231.0	224.0	225.0	6.0	222.0	223.0	8.0
<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>	193.0	194.0	195.0	196.0	-2.0	186.0	187.0	7.0
<b>80 CL Trimmings</b>	180.0	181.0	180.0	181.0	0.0	172.0	173.0	8.0
<b>75 CL Trimmings</b>	169.0	170.0	169.0	170.0	0.0	162.0	163.0	7.0
<b>65 CL Trimmings</b>	119.0	120.0	119.0	120.0	0.0	115.0	116.0	4.0
<b><i>US East Coast Australian Cuts, FOB US Port</i></b>								
<b>Cap Off Steer Insides</b>	280.0	285.0	275.0	280.0	5.0	280.0	285.0	0.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>	235.0	240.0	230.0	235.0	5.0	210.0	215.0	25.0
<b>Steer Knuckles</b>	255.0	256.0		250.0	6.0	230.0	235.0	21.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	20-Sep-17		13-Sep-17			21-Sep-16		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	192.04		190.40		1.6	187.17		4.9
Select Cutout	188.52		188.69		-0.2	179.78		8.7
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	222.0	228.0	225.0	232.5	-4.5	193.0	208.0	20.0
85 CL Beef Trimmings	182.0	195.0	186.0	195.0	0.0	171.0	180.0	15.0
50 CL Beef Trim	40.0	51.5	38.1	55.0	-3.5	34.0	43.5	8.0
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	31.5	49.4	32.4	44.3	5.2	27.7	53.5	-4.1
72 CL Pork Trim	59.0	76.3	56.0	77.3	-1.0	48.0	81.0	-4.8
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	253.3		258.3		-5.0	231.1		22.2
50 CL Beef Trimming	103.0		110.0		-7.0	87.0		16.0
42 CL Pork Trim	117.7		105.4		12.3	127.4		-9.7
72 CL Pork Trim	105.9		107.3		-1.4	112.5		-6.6
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	105.85		104.92		0.9	109.20		-3.4

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>	<i>Last Year</i>	<i>Change From Last Year</i>
	<b>20-Sep-17</b>	<b>13-Sep-17</b>		<b>21-Sep-16</b>	
<b><u>Live Cattle Futures</u></b>					
October '17	110.950	107.550	↑ 3.40	108.550	↑ 2.40
October '17	116.250	112.850	↑ 3.40	108.350	↑ 7.90
December '17	119.050	116.150	↑ 2.90	108.475	↑ 10.58
February '18	121.425	118.100	↑ 3.33	107.875	↑ 13.55
<b><u>Feeder Cattle Futures</u></b>					
September '17	153.975	148.600	↑ 5.38	136.350	↑ 17.63
October '17	157.275	149.625	↑ 7.65	132.225	↑ 25.05
November '17	157.550	149.875	↑ 7.68	129.675	↑ 27.88
January '18	153.075	146.475	↑ 6.60	129.675	↑ 23.40
<b><u>Corn Futures</u></b>					
December '17	350	56 7/9	↑ 293.23	350	↓ 0.00
March '18	362 1/2	62	↑ 300.43	357	↑ 5.50
May '18	371	67 2/7	↑ 303.70	363 3/4	↑ 7.25
July '18	377 3/4		↑ 377.75		↑ 377.75
<b><u>Ch Wheat Futures</u></b>					
December '17	449 3/4	420 3/4	↑ 29.00	407 3/4	↑ 42.00
March '18	469 3/4	443 1/4	↑ 26.50	429 1/4	↑ 40.50
May '18	483 1/4	462 3/4	↑ 20.50	442 3/4	↑ 40.50
July '18	494 1/2	476 1/2	↑ 18.00	451 1/4	↑ 43.25

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>	<i>7 Days Ending</i>	<i>Change From Last Year</i>
	<b>20-Sep-17</b>	<b>13-Sep-17</b>		<b>21-Sep-16</b>	
<b><u>Total Cattle Slaughter</u></b>	638,000	670,000	↓ -32,000	616,000	↑ 22,000
	<b>2-Sep-17</b>	<b>26-Aug-17</b>		<b>3-Sep-16</b>	
<b><u>Total Cow Slaughter</u></b>	112,325	114,696	↓ -2,371	105,500	↑ 6,825
<b><u>Dairy Cow Slaughter</u></b>	59,068	59,612	↓ -544	56,300	↑ 2,768
<b><u>Beef Cow Slaughter</u></b>	53,257	55,084	↓ -1,827	49,200	↑ 4,057



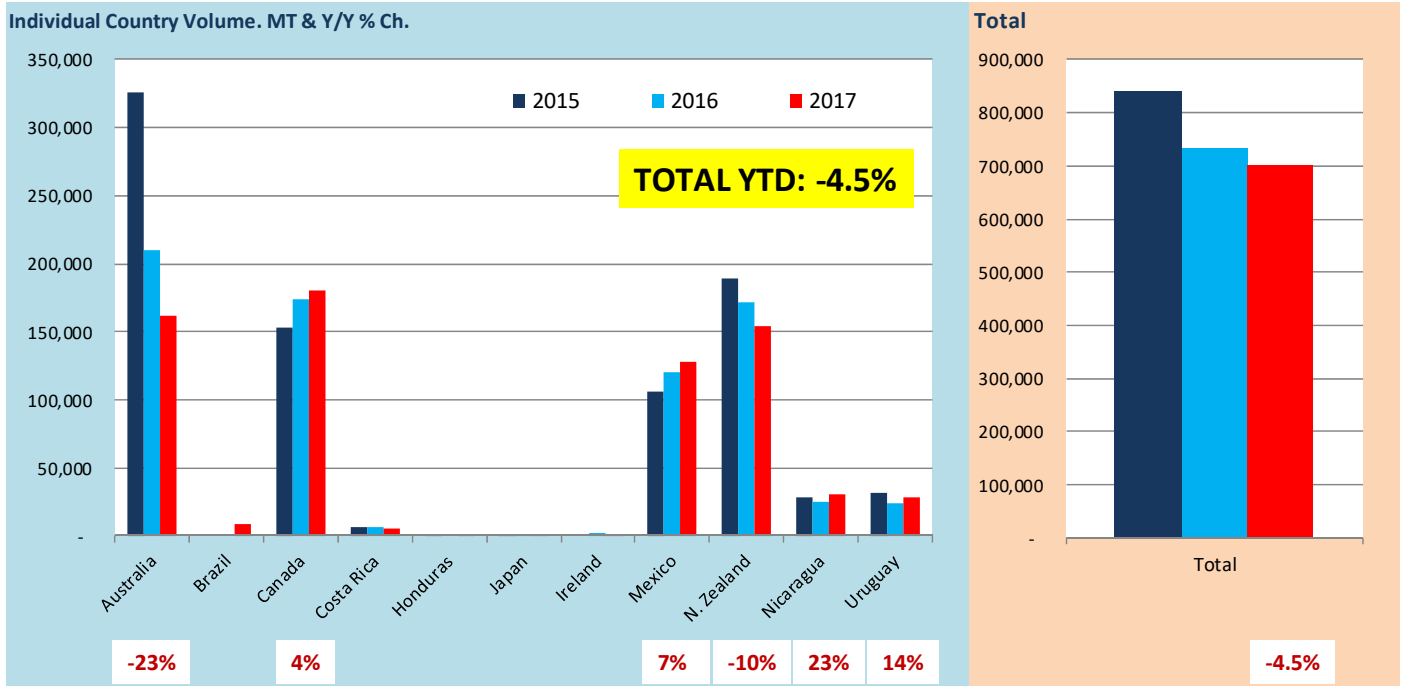
# TABLE 7 - US BEEF IMPORTS (Source: USDA/AMS)

## YTD Imported Fresh Beef Passed for Entry in the US

week 36	9/3/2016	9/9/2017		
Australia	209,806	162,022	(47,784)	-22.8%
Brazil	-	9,022		
Canada	173,671	180,279	6,608	3.8%
Chile	381	202	(179)	-47.0%
Costa Rica	6,731	5,835	(896)	-13.3%
Honduras	-	228	228	
Japan	156	242	86	55.1%
Ireland	1,725	1,518	(207)	-12.0%
Mexico	119,720	127,592	7,872	6.6%
Netherlands	-	228		
New Zealand	171,878	154,550	(17,328)	-10.1%
Nicaragua	25,319	31,069	5,750	22.7%
Uruguay	24,498	28,049	3,551	14.5%
<b>Total</b>	<b>733,883</b>	<b>700,836</b>	<b>(33,047)</b>	<b>-4.5%</b>

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

Imports as of September 9, 2017

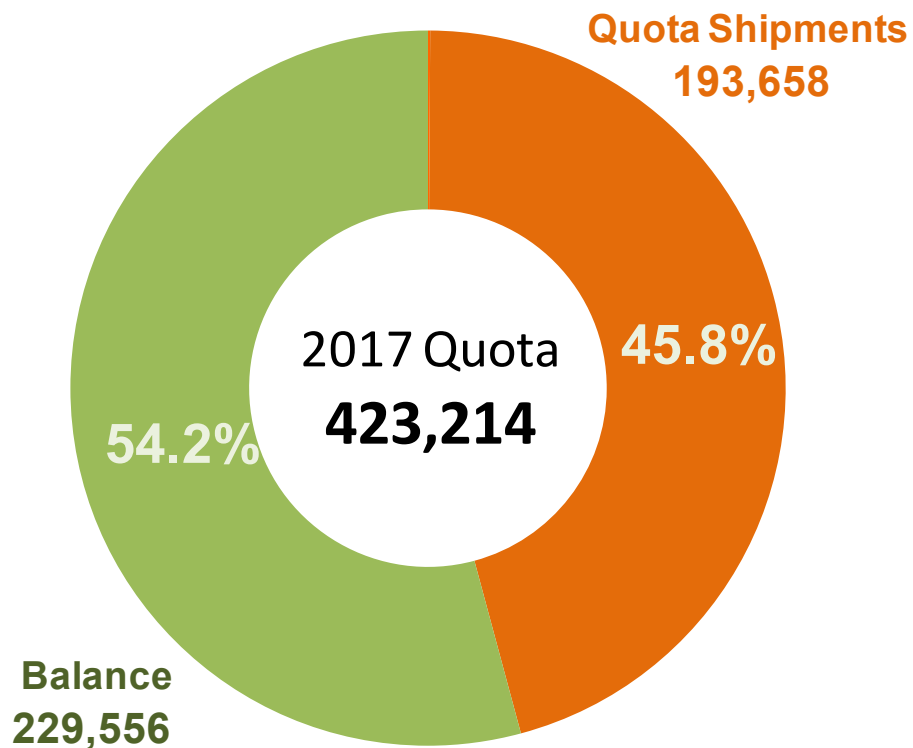


Please note that US Customs has discontinued its previous reporting and now only reports on countries that have a quota allocation. We are now using the AMS data to report YTD beef import entries. This data is slightly different than Customs. We will add at a later time a page that shows quota filled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

# Australian Beef Quota Position

18-Sep-17

Metric Ton. Australian Department of Agriculture Statistics



## USA Quota Entries through Week Ending September 18

Source: US Customs

