



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 steady to lower on higher imports from grinding beef suppliers. At 13,149 MT, imports from grinding beef suppliers were up 7% from last year and the highest weekly volume so far this year
- Drought in Australia is expected to bolster Australian slaughter and exports and US end users see no reason to chase the market at this time. They continue to bid lower and have managed to push prices down a couple of cents
- The strong US dollar has allowed importers to pay steady money overseas while covering lower bids in US\$ terms. Current exchange is 75 US cents per 1 AUD compared to 76.5 at the start of the month.
- Average wholesale ground beef prices declined sharply this past week, possibly indicating lower retail beef features after Independence Day (July 4)
- Steiner estimate is for June 1 on feed inventories to be 3.4% higher than last year. The inventory of cattle that on June 1 had been on feed for more than 120 days is estimated at 22% above last year
- Fed cattle slaughter for the week ending June 16 is estimated at 525,000 head, 2% higher than a year ago. Non fed cattle slaughter for the week was estimated at 129,000 head, 4.1% higher than last year.

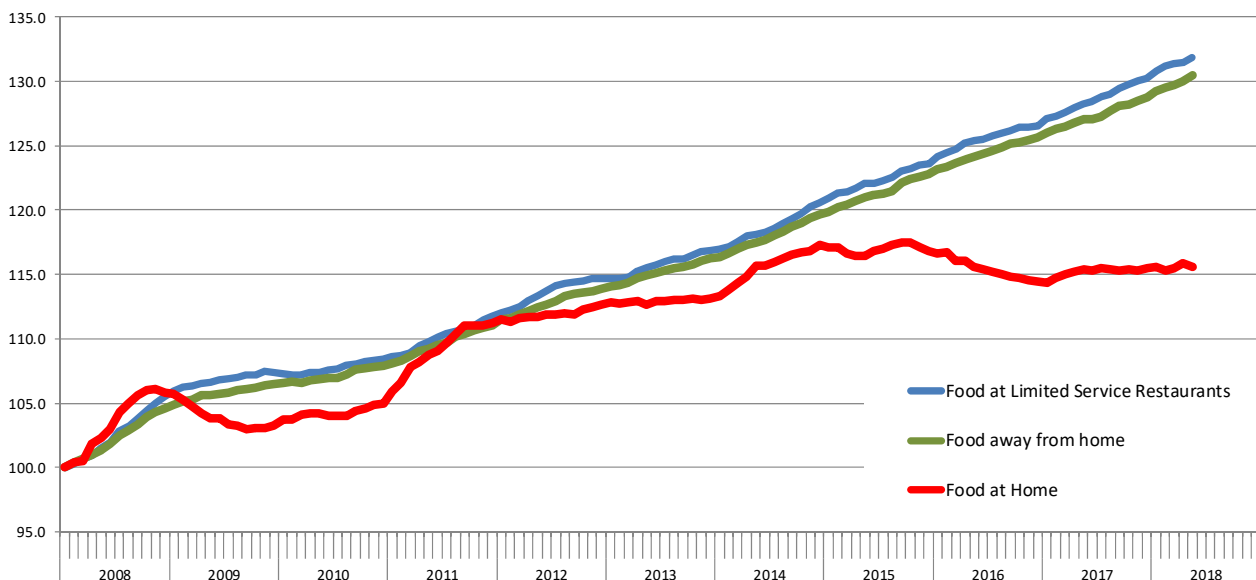
Imported Market Activity for the Week

Imported beef prices were steady to modestly lower this week. Domestic lean beef prices continue to be very firm despite notably higher slaughter. But buying product for delivery in late July and August still remains a risky proposition for end users. Fast food demand was excellent in the spring but there is ongoing uncertainty how

demand will be sustained over the summer months. CME fed cattle futures continue to be discounted into August, encouraging end users to limit their forward coverage. Dry conditions in Australia are pushing more cattle to market and participants here broadly expect more lean grinding beef to be available. Weekly imports from grinding beef suppliers for week ending June 9 were 13,149 MT, 7% higher than a year ago.

Food CPI Comparisons. Jan 2008 = 100

Source: BLS. Analysis by Steiner Consulting



Market notes for the week:

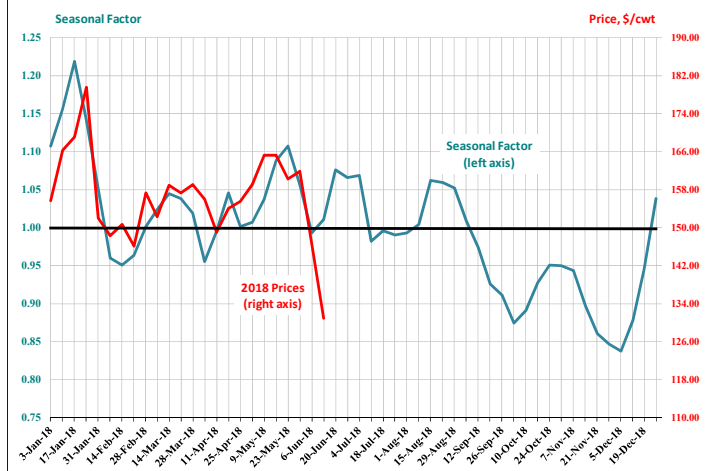
- Ground beef prices at wholesale have been trending lower and this could pressure lean beef values going into the summer.

The charts to the right show the current price trend for 73CL coarse ground and 114, 3 clods. The price of retail ground beef has largely followed the seasonal trend, something we highlighted in our report last week. However, this past week ground beef values have declined sharply, a warning sign for values later this summer and into the fall. The decline was somewhat expected, although the magnitude has caught us a bit by surprise. As you will see in the second chart, there is normally a sharp slowdown in retail beef features for ground beef immediately after Father’s Day (mid June) and then again after Independence Day (4th of July). With retailers having covered their needs in the first two weeks of June it appears packers now have to do some discounting in order to keep the flow of retail ground beef moving. The third chart to the right shows both the price trend and 5-Yr seasonal factor for trimmed clods. The price of clods has been high for much of this year. A colder spring likely encouraged good sales through retail channels. The shift of some users towards using all fresh patties may have further contributed to the robust pricing of clods through April and May. Clod prices have finally started to ease lower but they are still quite high compared to where they would be based on the seasonal. Fed cattle slaughter is expected to remain high through the summer (see next page), and we should see clod prices drift lower in July and August.

- The slowdown in retail ground beef features and lower ground beef prices at wholesale have pressured fat trim prices. The average price of 50CL beef trim this week (national weekly wt. avg.) declined under 70 cents per pound, now some 25 cents since May 1. The decline in fat trim values reflects the seasonal increase in overall fed cattle slaughter as well as the normal slowdown in retail demand. Fed cattle carcass weights appear to have bottomed out and seasonally weights should move higher in July and August. We expect fat trim to trade sideways in the short term but then drift lower into the fall.

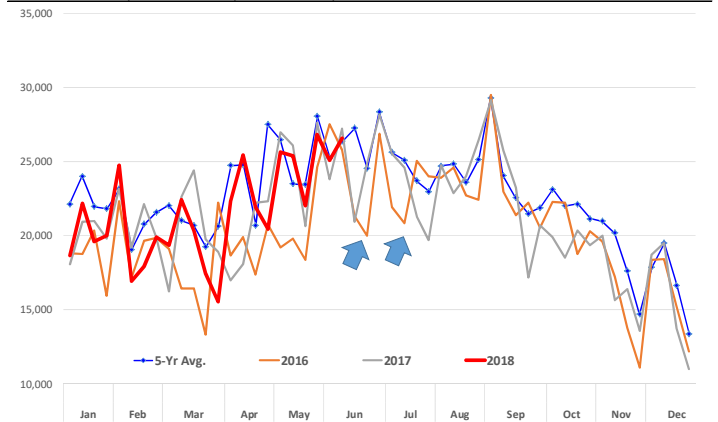
- We first put together the chart on page 1 last year as a way to illustrate the growing gap between food cost inflation at restaurants vs. grocery stores. Since then the gap has grown significantly larger. The last report from the US Bureau of Labor Sta-

73CL Ground Beef 5-Yr Seasonal vs. Current Price Trends

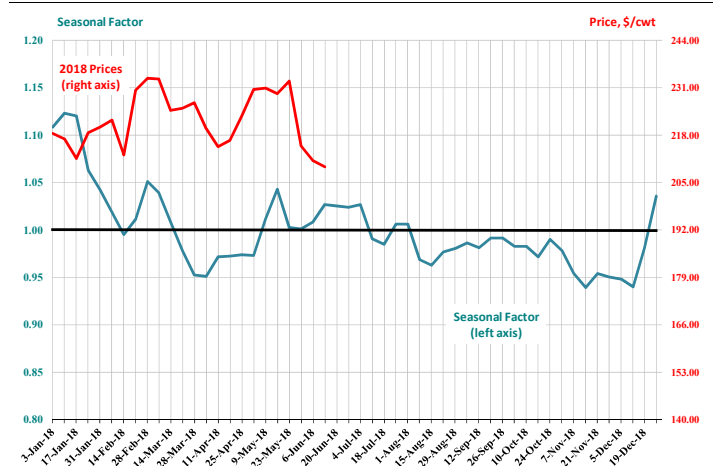


Weekly Ground Beef Retail Activity Index. USDA National Retail Report

Source: USDA Weekly National Retail Report. Latest data point is for Jun 8, 2018



Choice Clods 114 3: 5-Yr Seasonal vs. Current Price Trends



tistics shows total food cost inflation in May was up 1.2% compared to a year ago. Inflation for food consumed away from home was up 2.7% compared to last year while inflation for food consumed at home was almost unchanged. Even within the food away from home category there were differences. Inflation for food consumed at full service restaurants was up

2.4% while food cost inflation at limited service restaurants was 2.9% higher. Higher labor costs, especially for fast food restaurants have been one of the key factors for higher cost inflation in this space. Mandated minimum wages in some areas have significantly impacted fast food operations. The unemployment rate in the US is down to 3.8%. Grocery stores have sought to capitalize on the cost advantage and increase traffic. One of the hot new trends in the grocery business is the re-discovery of the so called "grocerant." We saw this first hand in the new Wegman's supermarket that opened locally, which includes a Burger Bar restaurant within the premises. The battle for the consumer dollar will likely continue to intensify and this has direct implications for imported beef.

- USDA is expected to release next week the results of its monthly survey of feedlots with +1000 head capacity. Below are our projections:

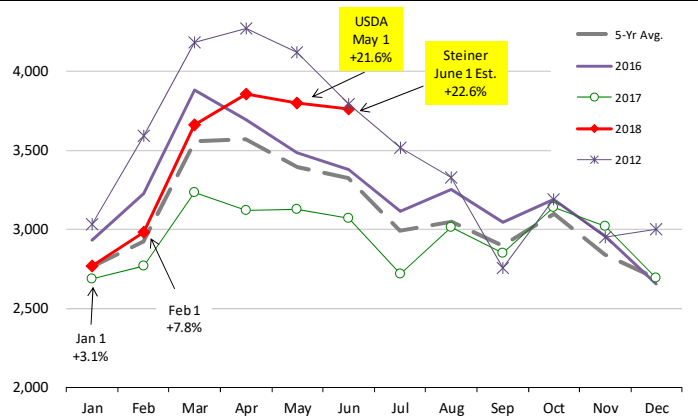
Placed on feed in May:	95.6
Marketed in May:	105.1
Total on Feed:	103.4

Some analysts expect placements in May to be a bit higher than what we currently show. This is based on cattle sold at auction during the month. Dry conditions in the Southern Plains may have also forced some producers to push some heifers into feedlots. Still, the rapid pace of placements earlier in the year and fewer cattle outside feedlots on January 1 will continue to limit placements this spring. Additionally, placements last year were particularly high so we are comparing to a very high base. Imports of feeder cattle from Mexico and Canada were sharply lower in May, which may have also limited the number of cattle placed on feed.

In the short term supplies of market ready cattle should be plentiful. According to our calculations the supply of cattle that had spent at least 120 days on feed on June 1 was up 22% from a year ago and near 2016 levels. Marketings in the next two months will be critical. If feedlots are able to maintain the robust marketing pace we saw in May then we could envision a scenario whereby on feed numbers decline below the five year average in October and November. June marketings have not been as high as expected. Fed cattle slaughter for

INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120 DAYS OR MORE

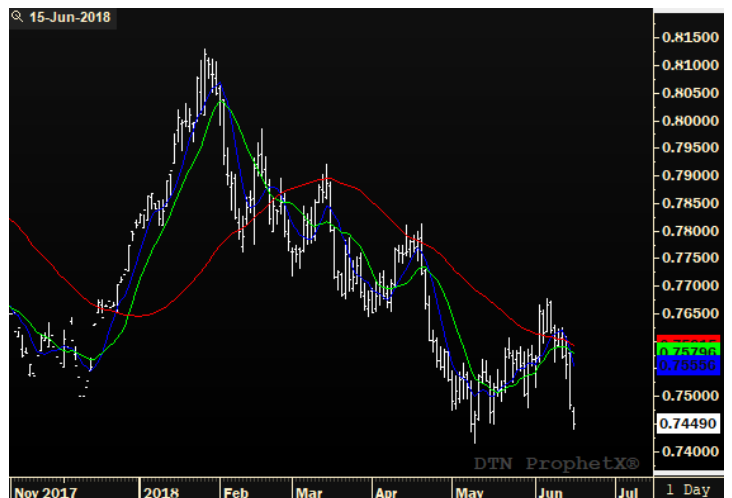
Calculated using the USDA Monthly "Cattle on Feed" Report



the week ending June 16 is estimated at 525,000 head, 2% higher than a year ago. Non fed cattle slaughter for the week was estimated at 129,000 head, 4.1% higher than last year.

- The strong USD has contributed in part to the decline in imported values as traders are able to cover lower bids in USD terms and yet pay flat money when converted in AUD.

USD per 1 AUD, Nearby Contract



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
	14-Jun-18	7-Jun-18		13-Jun-17	
CME FEEDER CATTLE INDEX	140.73	140.49	0.2%	153.92	-8.6%
	15-Jun-18	8-Jun-18		16-Jun-17	
FED STEER (5-MKT AVG)	114.13	111.32	2.5%	135.45	-15.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	102.50	103.00	-0.5%	124.00	-17.3%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	107.50	108.00	-0.5%	129.50	-17.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	102.00	103.50	-1.4%	117.00	-12.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	176.21	175.36	0.5%	154.79	13.8%

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
	15-Jun-18	21-Jun-18	8-Jun-18	14-Jun-18		16-Jun-17	22-Jun-17	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	210.0	212.0	210.0	212.0	0.0	241.0	244.0	-32.0
90 CL Blended Cow	196.0	197.0	197.0	198.0	-1.0	221.0	223.0	-26.0
90 CL Shank	199.0	200.0	199.0	200.0	0.0	214.0	215.0	-15.0
85 CL Fores	186.0	187.0	186.0	187.0	0.0	207.0	208.0	-21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	208.0	210.0	207.0	210.0	0.0	240.0	242.0	-32.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	185.0	189.0	185.0	186.0	3.0	205.0	206.0	-17.0
80 CL Trimmings	178.0	179.0	178.0	180.0	-1.0	188.0	192.0	-13.0
75 CL Trimmings		UNQ		UNQ	N/A	170.0	173.0	N/A
65 CL Trimmings		UNQ		UNQ	N/A	132.0	133.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	280.0	285.0	285.0	287.0	-2.0		280.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		220.0	220.0	224.0	-4.0		UNQ	N/A
Steer Knuckles	240.0	245.0	240.0	245.0	0.0	250.0	255.0	-10.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	15-Jun-18		8-Jun-18			16-Jun-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	221.0	223.0	220.0	223.0	0.0	247.0	249.0	-26.0
90 CL Blended Cow	206.0	207.0	207.0	208.0	-1.0	228.0	230.0	-23.0
90 CL Shank	210.0	211.0	210.0	211.0	0.0	221.0	222.0	-11.0
85 CL Fores	192.0	193.0		194.0	-1.0	213.0	214.0	-21.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	221.0	220.0	221.0	0.0	247.0	248.0	-27.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	191.0	192.0	192.0	193.0	-1.0	212.0	213.0	-21.0
80 CL Trimmings	183.0	184.0	184.0	185.0	-1.0	193.0	194.0	-10.0
75 CL Trimmings		178.0	178.0	179.0	-1.0		180.0	-2.0
65 CL Trimmings		140.0		UNQ	N/A	141.0	143.0	-3.0
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	285.0	290.0	290.0	292.0	-2.0	289.0	290.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		225.0	225.0	230.0	-5.0		UNQ	N/A
Steer Knuckles	250.0	255.0		UNQ	N/A	260.0	265.0	-10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	Low	High	Wt.Avg	Low	High	Wt.Avg					
	15-Jun-18			8-Jun-18				16-Jun-17			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout		221.59			226.21		-4.6		251.03		-29.4
Select Cutout		202.73			203.18		-0.5		220.66		-17.9
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	219.0	226.0	221.2	219.8	227.0	222.0	0.8	228.4	234.5	230.6	9.4
85 CL Beef Trimmings	188.0	202.5	191.7	184.0	205.9	192.5	0.8	196.1	219.5	203.7	12.0
50 CL Beef Trim	88.4	88.4	68.7	89.3	89.3	74.3	5.6	151.7	151.7	134.1	65.4
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	37.5	61.3	48.8	32.7	49.3	38.8	-10.0	49.3	71.2	59.6	10.8
72 CL Pork Trim	60.0	97.3	77.5	57.7	84.3	67.1	-10.5	99.3	121.6	105.1	27.6
<u>Point of Lean Values</u>											
90 CL Domestic		245.7			246.6		-0.9		256.2		-10.5
50 CL Beef Trimming		137.3			148.5		-11.2		268.1		-130.8
42 CL Pork Trim		116.2			92.4		23.8		141.9		-25.7
72 CL Pork Trim		107.7			93.2		14.5		146.0		-38.3
<u>National Direct Fed Steer price)</u>		114.13			111.32		2.8		135.45		-21.3

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
	15-Jun-18	8-Jun-18			16-Jun-17		
<u>Live Cattle Futures</u>							
June '18	108.450	110.025	↓	-1.58	124.500	↓	-16.05
August '18	104.775	105.775	↓	-1.00	117.875	↓	-13.10
October '18	107.025	108.200	↓	-1.18	114.800	↓	-7.77
December '18	111.350	112.050	↓	-0.70	115.525	↓	-4.18
<u>Feeder Cattle Futures</u>							
August '18	147.975	147.275	↑	0.70	146.125	↑	1.85
September '18	148.275	148.425	↓	-0.15	145.700	↑	2.58
October '18	147.850	148.350	↓	-0.50	144.100	↑	3.75
November '18	147.700	148.500	↓	-0.80	144.100	↑	3.60
<u>Corn Futures</u>							
July '18	361 1/4	377 3/4	↓	-16.50	377	↓	-15.75
September '18	370 3/4	386 1/2	↓	-15.75	385	↓	-14.25
December '18	382 3/4	398	↓	-15.25	395 1/2	↓	-12.75
March '19	392 1/2	407	↓	-14.50	404 3/4	↓	-12.25
<u>Ch Wheat Futures</u>							
July '18	499 1/2	520	↓	-20.50	443	↑	56.50
September '18	513 1/2	536 3/4	↓	-23.25	457 1/4	↑	56.25
December '18	534 1/4	559	↓	-24.75	479	↑	55.25
March '19	553 3/4	577 1/2	↓	-23.75	496 3/4	↑	57.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	16-Jun-18	9-Jun-18			17-Jun-17		
<u>Total Cattle Slaughter</u>	654,000	658,000	↓	-4,000	639,000	↑	15,000
	2-Jun-18	26-May-18			3-Jun-17		
<u>Total Cow Slaughter</u>	105,027	115,168	↓	-10,141	94,882	↑	10,145
<u>Dairy Cow Slaughter</u>	48,951	54,391	↓	-5,440	47,118	↑	1,833
<u>Beef Cow Slaughter</u>	56,076	60,777	↓	-4,701	47,764	↑	8,312

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

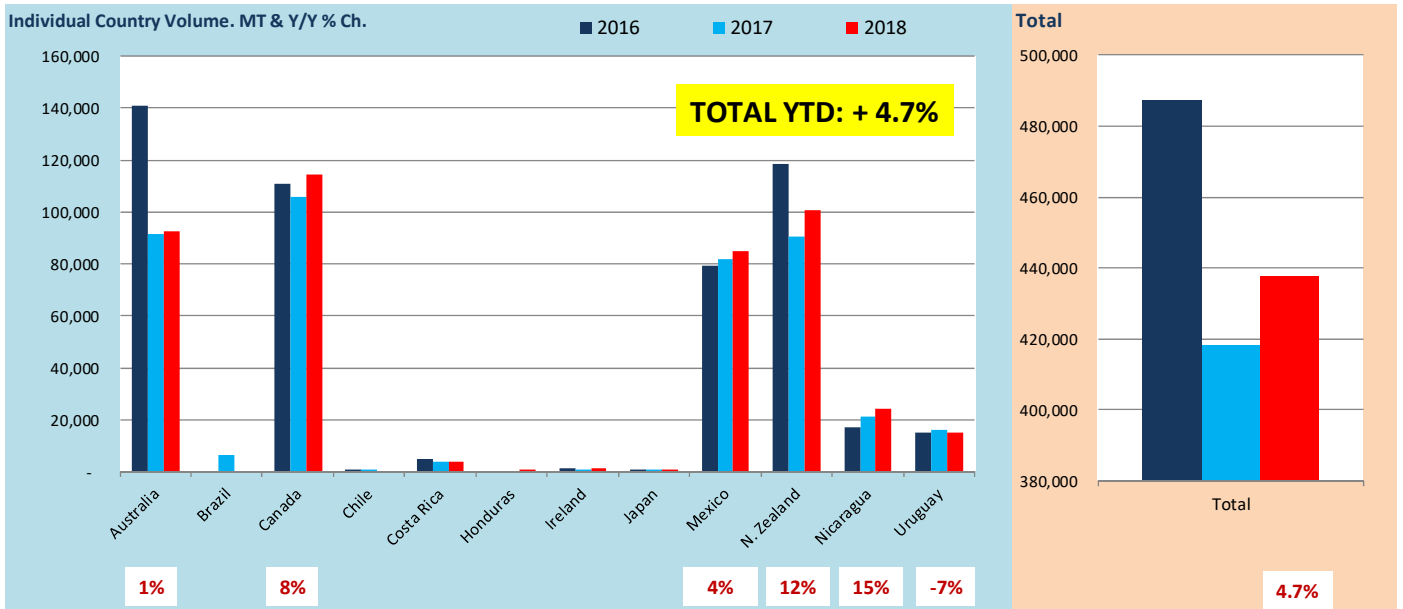
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 23	6/10/2017	6/9/2018		
Australia	91,716	92,439	723	0.8%
Brazil	6,380	-	(6,380)	-100.0%
Canada	105,594	114,469	8,875	8.4%
Chile	202	-	(202)	-100.0%
Costa Rica	4,025	3,714	(311)	-7.7%
France	-	-	-	
Honduras	-	906	906	
Ireland	804	1,128	324	40.3%
Japan	177	241	64	36.2%
Mexico	81,638	84,898	3,260	4.0%
Netherlands	-	-	-	
New Zealand	90,240	100,633	10,393	11.5%
Nicaragua	20,960	24,166	3,206	15.3%
Spain	-	-	-	
Uruguay	16,232	15,105	(1,127)	-6.9%
Total	418,092	437,699	19,607	4.7%

Source: AMS - USDA

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

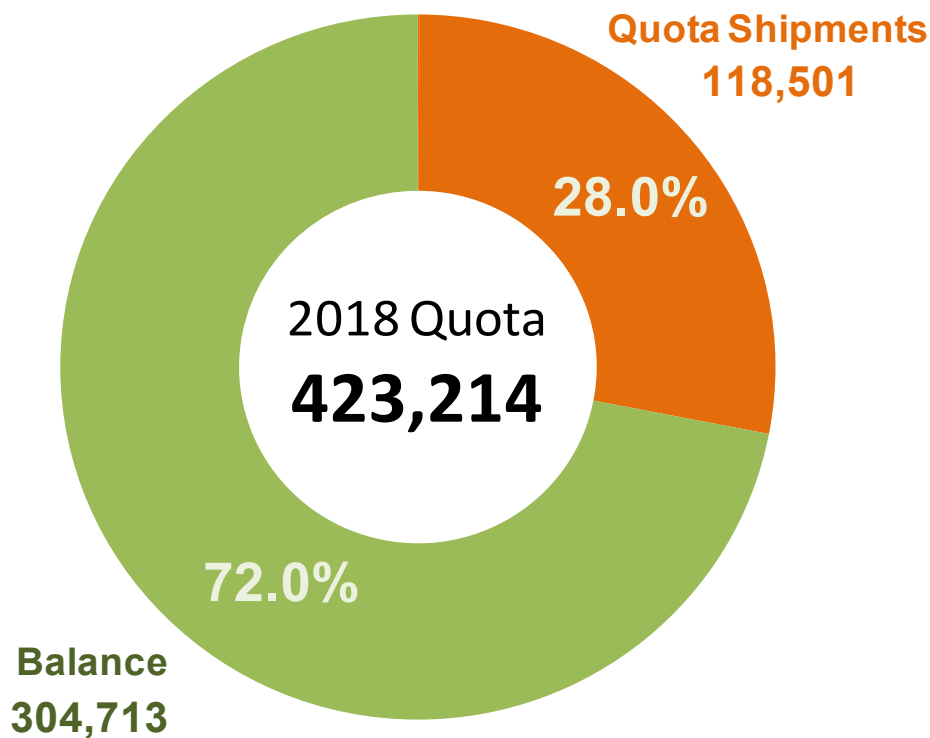
Imports as of June 9, 2018



Australian Beef Quota Position

14-Jun-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 4

Source: US Customs

