



# 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 were firm on limited offerings from Australian suppliers
- Some lean and extra lean grinding beef was traded on the low end of our range from New Zealand but NZ supplies are expected to seasonally decline in July and August
- Australia slaughter down sharply in the last two weeks, reflecting in part improving moisture conditions in key producing states
- Demand from Asian markets continues to drive fat trim into those markets and product offerings into the US are well above what US end users are willing to pay for fat trim at this point
- Imported beef expected to trade at a premium to domestic in August and September but not necessarily at higher prices from current levels.

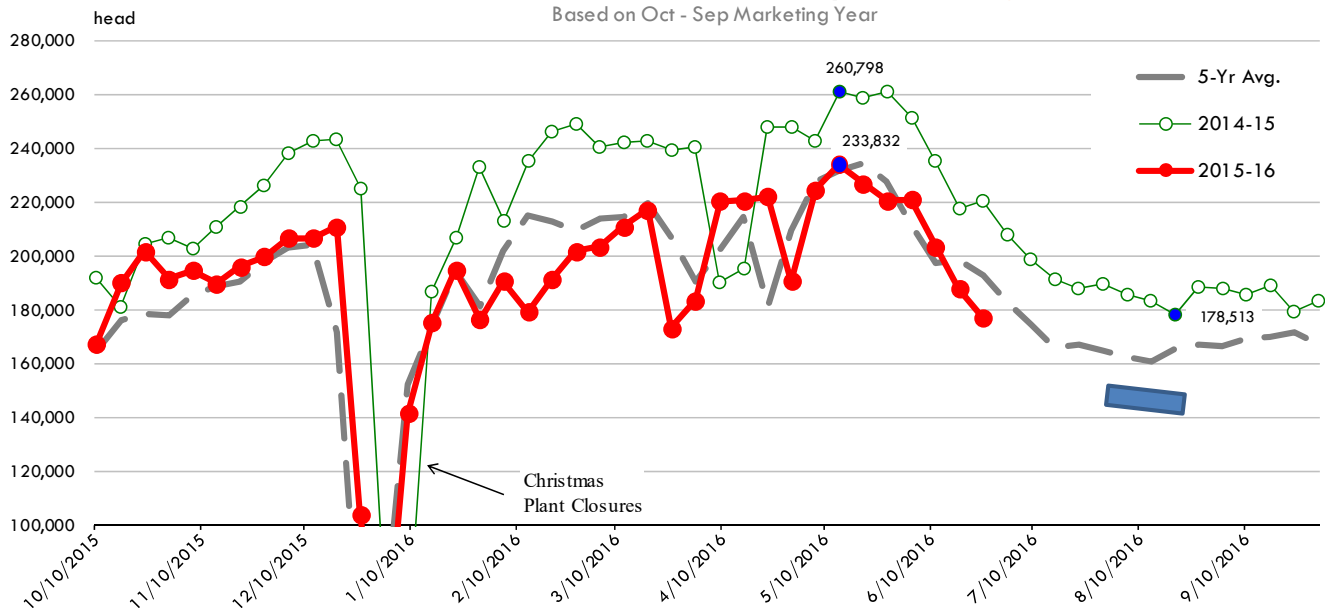
## Imported Market Activity for the Week

**Imported beef prices were reportedly quite firm this week but a range of prices could be found, in part depending on whether importers had some inventory or were willing to entertain taking some shorts (selling before securing product overseas).** It has become quite difficult to ascertain the CIF value of imported beef given that New Zealand volume has started to really decline and some of the offerings from Australia are way outside where the US market is currently trading. There has

been a lot of conversation among US importers this year about the potential for a dramatic decline in Australian beef availability if moisture conditions improve. The last couple of weeks have provided a reminder of that potential. Parts of NSW and Victoria received 25-50 mm of rain in the past week (Source: Australia Bureau of Meteorology) and slaughter numbers show a significant fall off even from the slaughter levels we saw in May. For the last two weeks (6/17 and 6/24), Australian slaughter averaged 128,369 head, down some 25% from a year ago and also 12.7% lower than the May weekly

## Australia and New Zealand Weekly Cattle Slaughter

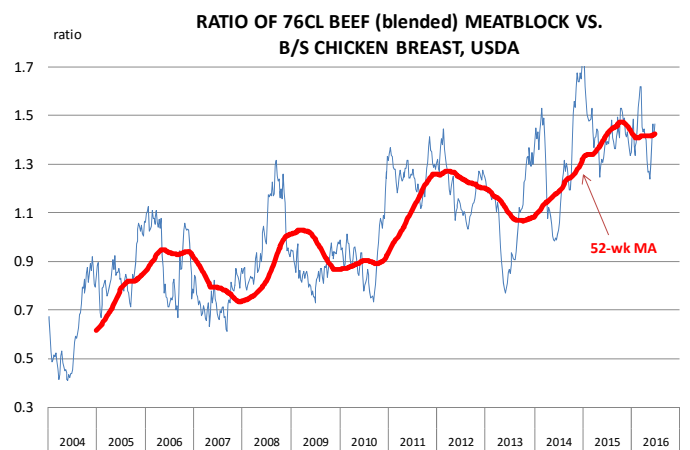
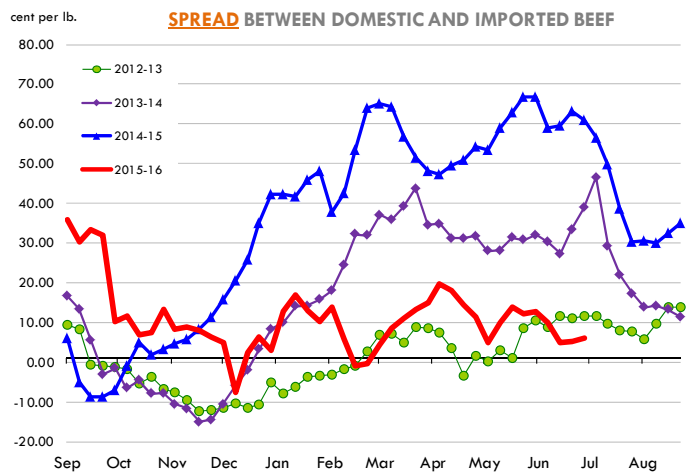
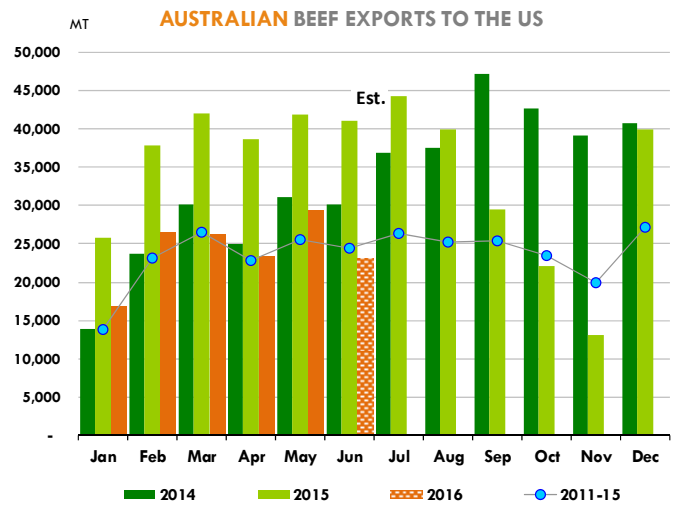
Based on Oct - Sep Marketing Year



average. The decline in Australian cattle slaughter comes at a time when New Zealand slaughter also seasonally declines. New Zealand numbers are reported with a 3 week lag but we estimate that current weekly kill is around 45,000 to 48,000 head, compared to a May weekly average of around 80,000. The chart on page 1 combines weekly Australian and New Zealand slaughter to illustrate the normal seasonal decline that we see at this time of year. Also important to note is how high the combined weekly slaughter was last year and where we expect numbers to be this year. Last year weekly slaughter for a couple of weeks in May was over 260,000 head (combined Australia and New Zealand). Current weekly slaughter (end of June) is running at around 177,000 head and by the end of August we expect combined slaughter to be at just around 147,000 head. It is important to note this dramatic shift, both seasonal and year/year when comparing prices for imported beef last year, prices for imported beef in April and May and prices for imported beef in late July, August and September. We are in a very different supply environment and this will be reflected both in terms of shipments to the US market and prices.

The two top charts to the right illustrate the point made above. Australian beef shipments to the US in May were 29,325 MT, 30% lower than a year ago. Imports of 90CL beef from Australia in May were 6,376 MT, down about 3,451 MT (-35%) compared to a year ago. We expect Australian beef shipments to the US in June to be a little under 23,000 MT, down 44% compared to last year. If 90CL beef volumes follow the same trend as the last few months, it would imply US imports of 90CL beef in June were a mere 4,800 MT, down almost 4,000 MT compared to a year ago. Consider that a full truckload of 90CL beef is around 18 MT (40,000 lb). In other words, there June imports from Australia are down by the equivalent of some 220 loads. And this is only for 90CL beef. The decline in overall imports from Australia is down by the equivalent of some 1000 full truckloads, a pretty dramatic decline considering that a significant portion of the imported beef coming into the US does not get in the open market (bought directly from packers downunder). It is this extreme shortage of product in the spot market that we think will drive a premium of imported beef to domestic later this summer and into the fall. The second chart to the right shows the current spread of import to domestic, a spread that will likely disappear as the shortage of imported product starts to become more acute in July and August.

Does the premium of imported beef to domestic imply higher prices for imported beef? Not neces-



sarily. We think that imported beef prices in the US will still be anchored by The overall price level for lean grinding beef in the US. The main challenge for lean beef in the US is that prices remain high relative to the price of competing products. The chart above shows the price of a 76CL meat block relative to the price of boneless skinless chicken breasts

(ratio). Even as lean beef prices are down significantly compared to a year ago, the ratio to the price of chicken breast is near all time record highs. We could construct a similar chart with pork prices as well. At this point pork prices are near their annual high but the latest Hogs and Pigs report indicated that we could see slaughter in Q4 as much as 2% above year ago levels. This will put extreme downward pressure on some products, especially pork trimmings. Higher US cow slaughter later this year and low prices for competing meats should pressure US domestic grinding beef prices lower this fall and possibly imported beef prices as well. This needs to be considered when discussing the potential premium of imported beef to US domestic product.

### US Domestic Prices

Prices for 90CL boneless beef were quoted at 222.1 US cents on the top side, 3.2 cent higher than a week ago but still 73 cents lower than year ago levels. The weighted average price was 216 US cents per pound, however, about the same price as last week. 90CL beef prices are about steady compared to last week. 85CL beef trim prices on the top side were quoted tonight at 193 cents, 5 cent lower than last week and 74 cents lower than last year. 50CL beef price was 93 cents on the high side, 1 cent higher than a week ago and 10.5 cents higher than the same week last year. Retail ground beef features continue to support fat trim prices. Current prices for fat pork trim were lower by as much as 2 cents than the previous week. Prices for fat pork trim are down 7 cents compared to last year while the price of 72CL pork is up 5 cents compared to last year.

### US Cattle on Feed Supplies

The results of the monthly feedlot survey came in very close to pre-report estimates and we think futures will view it as quite neutral for beef prices later this year. Fed cattle placements in May were estimated at 1.884 million head, 9.6% higher than a year ago. Pre-report estimates were looking for a 9.5% increase (our estimate was 8.2%). The increase in placements is in line with the growth in feeder supplies and the normal seasonal pattern of pulling feeders from wheat pastures. The data shows that fed cattle supplies should be more than adequate in late September and October. Futures already are discounting fed cattle prices for that time period and we think that the current results already are factored in

the market. Cattle futures sold off quite aggressively on Friday, in part because of the extremely negative implications from the Brexit vote. Fed cattle continue to be seen as vulnerable to a downturn in both the domestic market and also globally.

Fed cattle marketings in May were 1.794 million head, 4.9% higher than a year ago (one extra marketing day) vs. 4.6% analyst average. The marketing number was in line with fed slaughter for the month. The supply of cattle on feed as of June 1 was 10.799 million head, 2.2% higher than a year ago. The supply of cattle that have been on feed for more than 120 days on June 1 is estimated at 3.649 million head, 7.5% lower than a year ago but still about 4.1% higher than in 2014 and about 1% higher than in 2013. US feedlots have been very aggressive in marketing cattle and for good reason, there are more cattle available and they need to market them so as not to repeat the debacle of a year ago. It is critical for feedlots to stay current through August so as to set the stage for a modest seasonal improvement in Q4.

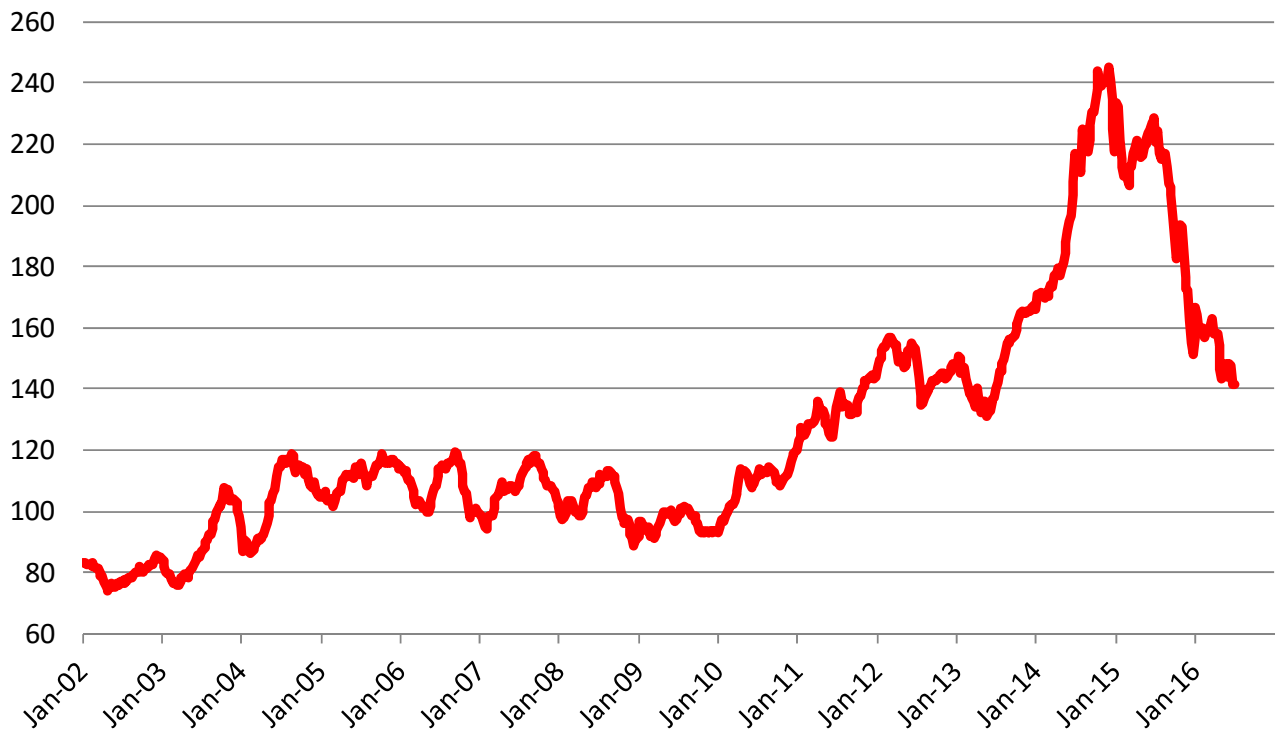
**Bottom line:** Cattle supplies are slowly expanding and this implies limited price inflation risk for beef retailers and foodservice operators in the next six months. Some items, however, could see significant volatility depending on promotion activity and export demand.

# 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
	28-Jun-16	21-Jun-16		30-Jun-15	
CME FEEDER CATTLE INDEX	141.27	141.61	-0.2%	228.27	-38.1%
	29-Jun-16	22-Jun-16		1-Jul-15	
FED STEER (5-MKT AVG)	116.92	118.56	-1.4%	148.88	-21.5%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	145.00	145.00	0.0%	203.50	-28.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	143.50	145.50	-1.4%	200.50	-28.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	134.50	133.50	0.7%	201.50	-33.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	172.36	172.24	0.1%	229.67	-25.0%

## 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
	29-Jun-16		22-Jun-16			1-Jul-15		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	220.0	219.0	220.0	219.0	0.0	242.0	244.0	-24.0
<b>90 CL Blended Cow</b>	200.0	204.0	202.0	204.0	0.0	223.0	225.0	-21.0
<b>90 CL Shank</b>	199.0	201.0	197.0	199.0	2.0	222.0	224.0	-23.0
<b>85 CL Fores</b>	181.0	184.0	183.0	184.0	0.0	197.0	199.0	-15.0
<b>85 CL Chucks</b>	UNQ		UNQ		N/A	UNQ		N/A
<b>95 CL Bull, W. Coast</b>	217.0	218.0	218.0	219.0	-1.0	241.0	242.0	-24.0
<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>	180.0	183.0	182.0	183.0	0.0	196.0	198.0	-15.0
<b>80 CL Trimmings</b>	160.0	165.0	158.0	160.0	5.0	164.0	165.0	0.0
<b>75 CL Trimmings</b>	139.0	140.0	137.0	139.0	1.0	145.0	147.0	-7.0
<b>65 CL Trimmings</b>	UNQ	98.0	99.0		N/A	115.0	117.0	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	280.0	290.0	270.0	280.0	10.0	320.0	325.0	-35.0
<b>Steer Insides 14/18</b>	UNQ		UNQ		N/A	UNQ		N/A
<b>Steer Flats</b>	205.0	215.0	205.0	210.0	5.0	285.0		-70.0
<b>Steer Knuckles</b>	225.0	230.0	220.0	225.0	5.0	290.0	295.0	-65.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	29-Jun-16	22-Jun-16	22-Jun-16	15-Jun-16		1-Jul-15	1-Jul-15	
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
95 CL Bull, E. Coast	228.0	229.0	227.0	228.0	1.0	252.0	253.0	-24.0
90 CL Blended Cow	209.0	210.0	209.0	211.0	-1.0	232.0	234.0	-24.0
90 CL Shank	205.0	206.0	203.0	205.0	1.0	230.0	232.0	-26.0
85 CL Fores	190.0	191.0	189.0	190.0	1.0	204.0	205.0	-14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	226.0	227.0	226.0	227.0	0.0	251.0	252.0	-25.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
85 CL Trimmings	188.0	189.0	187.0	189.0	0.0	203.0	204.0	-15.0
80 CL Trimmings	169.0	171.0	167.0	168.0	3.0	170.0	171.0	0.0
75 CL Trimmings	148.0	150.0	142.0	144.0	6.0	153.0	154.0	-4.0
65 CL Trimmings	103.0	104.0	103.0	104.0	0.0	121.0	123.0	-19.0
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
Cap Off Steer Insides	290.0	300.0	280.0	290.0	10.0	330.0	335.0	-35.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	225.0	235.0	220.0	225.0	10.0	290.0	295.0	-60.0
Steer Knuckles	240.0	245.0	230.0	235.0	10.0	300.0	305.0	-60.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change from Last Year
	29-Jun-16	22-Jun-16				1-Jul-15		
<b><u>Domestic Cutouts</u></b>								
Choice Cutout	208.57	217.08			-8.5	252.29		-43.7
Select Cutout	195.88	198.35			-2.5	249.26		-53.4
<b><u>Domestic Lean Grinding Beef</u></b>								
90 CL Boneless	216.0	222.1	216.0	218.9	3.2	292.5	295.0	-72.9
85 CL Beef Trimmings	191.0	193.0	191.0	198.0	-5.0	258.0	267.0	-74.0
50 CL Beef Trim	82.2	93.0	87.0	92.0	1.0	65.0	82.5	10.5
<b><u>Domestic Pork Trim</u></b>								
42 CL Pork Trim	29.3	39.3	31.0	41.3	-2.0	29.9	46.0	-6.8
72 CL Pork Trim	63.4	88.8	69.0	88.3	0.5	60.0	84.3	4.6
<b><u>Point of Lean Values</u></b>								
90 CL Domestic	246.8		243.3		3.5	327.8		-81.0
50 CL Beef Trimming	186.0		184.0		2.0	165.0		21.0
42 CL Pork Trim	93.5		98.2		-4.8	109.5		-16.1
72 CL Pork Trim	123.4		122.6		0.7	117.0		6.3
<b><u>National Direct Fed Steer</u></b> <b><u>(5-day accum. wt. avg. price)</u></b>	116.92		118.56		-1.6	148.88		-32.0

**TABLE 5 – FUTURES AND SLAUGHTER INFORMATION**

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week			Last Year	Last Year
	29-Jun-16	22-Jun-16			1-Jul-15		
<b><u>Live Cattle Futures</u></b>							
August '16	118.900	111.625	↑	7.28	151.075	↓	-32.18
October '16	114.125	111.725	↑	2.40	153.700	↓	-39.58
December '16	113.950	112.625	↑	1.33	154.750	↓	-40.80
February '17	114.375		↑	114.38	154.700	↓	-40.33
<b><u>Feeder Cattle Futures</u></b>							
August '16	143.050	140.175	↑	2.88	218.500	↓	-75.45
September '16	142.050	138.800	↑	3.25	217.050	↓	-75.00
October '16	140.450	137.375	↑	3.07	215.550	↓	-75.10
November '16	137.800	134.500	↑	3.30	215.550	↓	-77.75
<b><u>Corn Futures</u></b>							
Jul 16	372 3/4	393	↓	-20.25	413 3/4	↓	-41.00
September 16	377 3/4	398 1/4	↓	-20.50	422 1/2	↓	-44.75
December 16	383	404	↓	-21.00	431 3/4	↓	-48.75
March 17	390 1/4	410 3/4	↓	-20.50	441 1/2	↓	-51.25
<b><u>Ch Wheat Futures</u></b>							
Jul 16	429 1/2	458 3/4	↓	-29.25	587 1/2	↓	-158.00
September 16	444 1/2	472 1/4	↓	-27.75	588 1/2	↓	-144.00
December 16	465 1/4	493	↓	-27.75	596 3/4	↓	-131.50
March 17	484 1/4	512 1/2	↓	-28.25	604 3/4	↓	-120.50

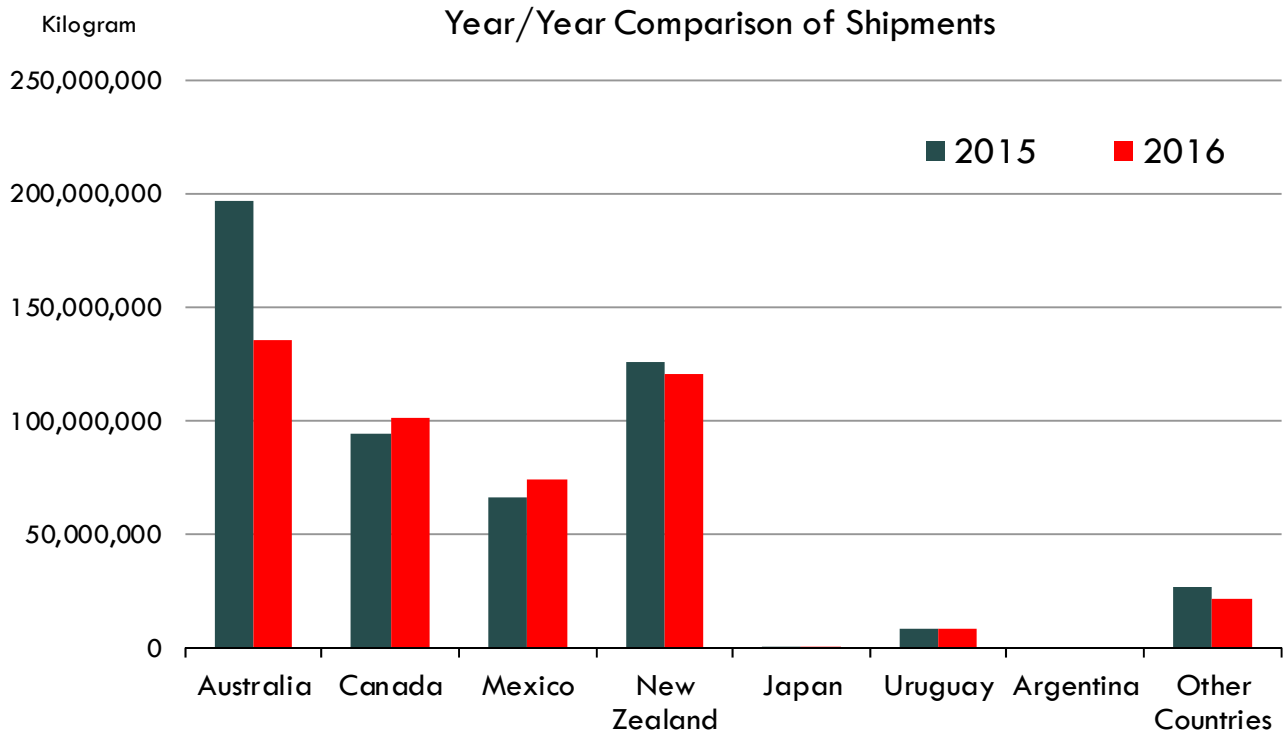
Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week			Last Year	Last Year
	29-Jun-16	22-Jun-16			1-Jul-15		
<b><u>Total Cattle Slaughter</u></b>	610,000	610,000	↓	0	572,000	↑	38,000
	<b>11-Jun-16</b>	<b>4-Jun-16</b>			<b>13-Jun-15</b>		
<b><u>Total Cow Slaughter</u></b>	99,384	91,035	↑	8,349	91,100	↑	8,284
<b><u>Dairy Cow Slaughter</u></b>	50,716	45,870	↑	4,846	49,000	↑	1,716
<b><u>Beef Cow Slaughter</u></b>	48,668	45,165	↑	3,503	42,100	↑	6,568



## TABLE 6 - US BEEF IMPORTS, IN-QUOTA ENTRIES (Source: US Customs Bureau)

Amount YTD in Kilograms as of June 27, 2016

Country	6/29/2015	6/27/2016	% Change	Quota Levels 2016	% Filled Year to Date
Australia	197,011,447	135,303,292	-31%	418,214,000	32.4%
Canada	94,265,095	101,172,423	7%	N/A	
Mexico	66,056,927	74,112,267	12%	N/A	
New Zealand	126,154,454	120,333,558	-5%	213,402,000	56.4%
Japan	74,035	89,332	0%	200,000	44.7%
Uruguay	8,830,487	8,214,358	-7%	20,000,000	41.1%
Argentina	0	0		20,000,000	0.0%
Other Countries	26,723,478	21,298,088	-20%	64,805,000	32.9%
Total	519,115,923	460,523,318	-11%		



**Please note that USDA did not update these figures this week. We will monitor and update when available.**

# Australian Beef Quota Position

27-Jun-16

Metric Ton. Australian Department of Agriculture Statistics

