



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- US non-fed slaughter, which includes both cows and bulls, last week was estimated at 128,000 head, 5% higher than a year ago and 15% higher than the five year average. In the last four weeks non-fed slaughter has averaged 7.5% above year ago levels.
- Fed cattle slaughter last week was estimated at 517,000 head, just 0.5% higher than last year but 16,000 head higher than the previous week. In the last four weeks fed slaughter has averaged about the same as last year despite significantly more cattle on feed.
- Weekly imports from grinding beef suppliers are currently near the annual high and should move lower into the fall on a combination of seasonally lower New Zealand slaughter and strong demand from Asian markets
- US non-fed cattle slaughter for the week ending July 28 was estimated at 129,000 head, up 10.2% compared to a year ago
- Australian cattle slaughter continues to run well ahead of last year's levels but below 2014. The inventory of cattle in Australia at the end of June was estimated at around 27.5 million head compared to over 29 million head on July 1, 2014.
- Domestic lean grinding beef prices have come under some pressure recently as retail demand seasonally declines after Labor Day. Increased competition from other proteins will likely become more intense in the fall.

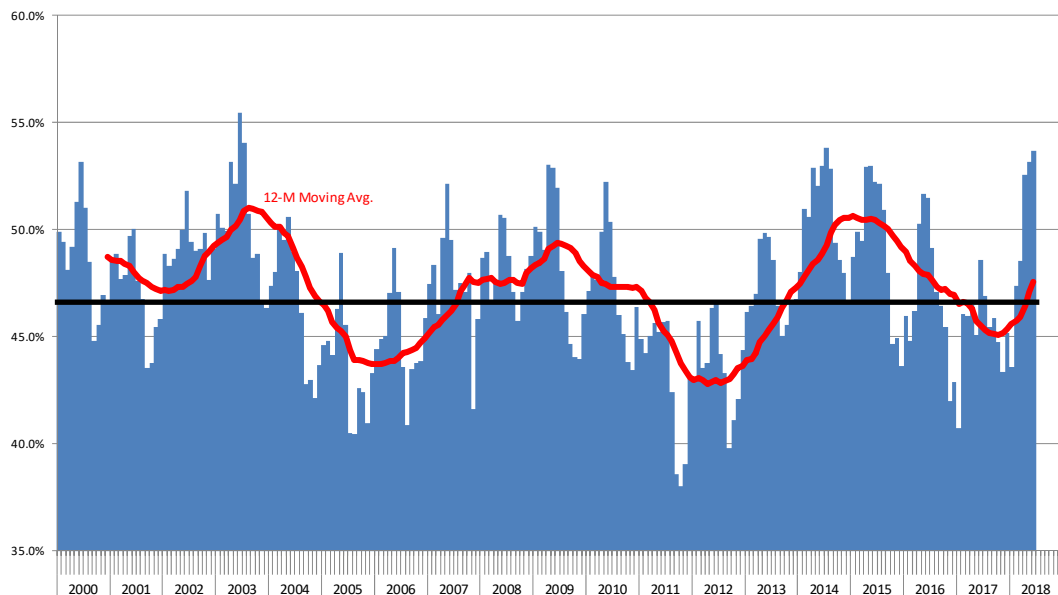
Imported Market Activity for the Week

Imported beef prices were mixed last week, with values for some products, especially fatter trim losing ground compared to the week prior. Leaner items were thinly traded now that New Zealand supplies are near seasonal lows. New Zealand slaughter has been higher than normal for this time of year but absolute volumes still are sub-

stantially lower than the previous year. Drought remains a major concern in Australia and has impacted some highly productive areas of the country. While drought conditions vary and parts of Queensland may not have been impacted as much as feared, overall slaughter remains high relative to overall inventory. The chart below shows the ratio of Australian cow/heifer slaughter relative to overall slaughter. According to the Australian Bu-

Ratio of Monthly Female Slaughter vs. Total Cattle Slaughter in [Australia](#)

Source: ABS. Calculations by Steiner Consulting

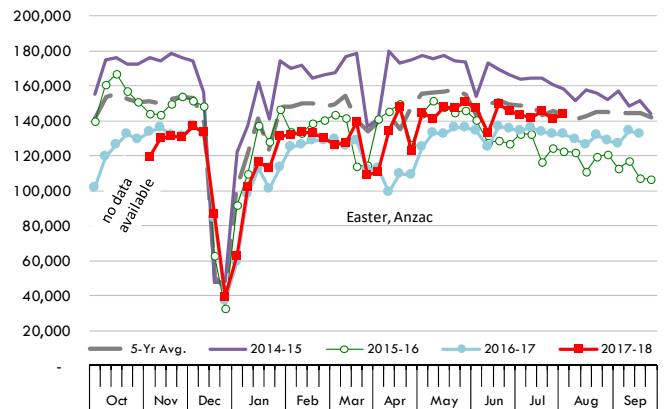


reau of Statistics (ABS), total cattle slaughter in June was 685,000 head, 4% higher than the previous year (this has not been adjusted for available slaughter days). Cow and heifer slaughter for the month was 367,000 head, 15% higher than the same month a year ago. The ratio of female slaughter to total slaughter currently is 53%, well above the levels indicating herd contraction. The last time the female slaughter ratio was this high was in 2014 and 2015, when drought forced producers to cull herds. Weekly slaughter is running between 140,000 to 145,000 head per week in recent weeks, about 8% higher than a year ago. Weekly slaughter is not as high as it was back in 2014 and 2015 for the simple reason that the cattle herd in Australia today is notably smaller than it was back then. At the end of June 2014 the total inventory of all cattle in Australia was a little over 29 million head. A recent report from Meat and Livestock Australia pegged the total inventory at the end of June 2018 at 27.5 million head. Current MLA projections indicate that inventories next year will be near current levels. However, if drought conditions persist and producers continue to push more females to slaughter it will eventually impact the calf crop in the spring and result in smaller inventories.

For now imported beef supplies appear to be adequate but that will likely change in the next six months. The volume of imported grinding beef coming to the US should be near its annual peak at this point. Seasonally lower slaughter in New Zealand and Uruguay and strong demand for Australian beef in Asian markets will possibly impact entries going forward. Imported 90CL beef has traded at a discount to domestic 90CL beef in part because of the increase in demand for domestic fresh lean beef. Competition between retailers and foodservice operators for fresh product has bolstered lean values even as cow slaughter has remained high through the summer. As we go into the fall and retail ground beef demand softens, we already are seeing the price of domestic 90CL drift lower and more in line with the point of lean value for other grinds. The average weekly price for domestic 90CL beef was quoted last week at around 211, down from around 218 four weeks ago. The average price of 85CL for the week was 172, down from 189 four weeks ago. Seasonally lean domestic grinding beef values should be lower into the fall. As we noted in one of our reports a couple of weeks ago, increased competition from inexpensive pork and chicken will become more intense in

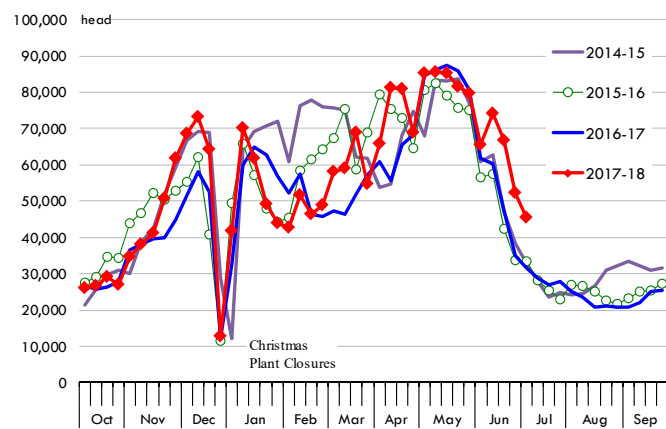
Australia Weekly Cattle Slaughter, Head. Oct - Sep Base

Data Source: Meat & Livestock Australia. Analysis by Steiner Consulting

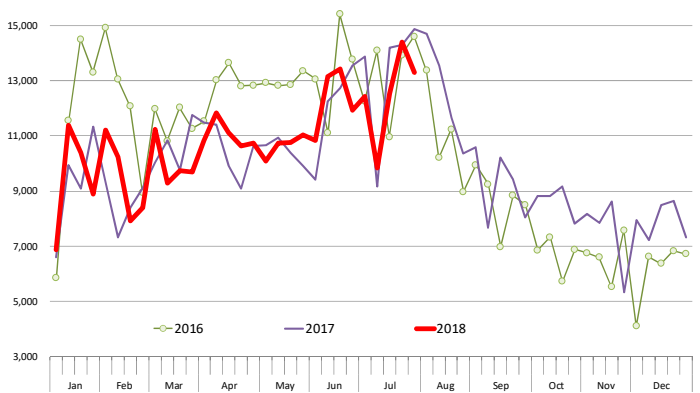


New Zealand Weekly Adult Cattle Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



BEEF IMPORTS FROM MAJOR GRINDING BEEF EXPORTING COUNTRIES. FR/FZ BEEF ONLY. METRIC TON
Data Source: USDA Livestock, Poultry & Grain Market News

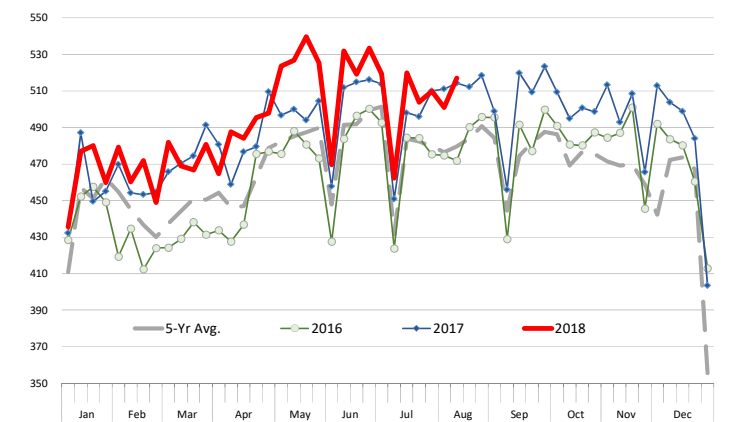


the fall when consumer budgets are pinched by the start of the school year. Retailers will look to feature a more balanced mix of proteins and at lower price points. So far ground beef has benefited from seasonal summer demand and we expect demand to be quite robust into Labor Day (first Monday in September). Current lean beef weakness is a reflection of post-Labor Day seasonal weakness.

Cattle slaughter numbers were lower than expected towards the end of July but throughput improved last week. Non-fed slaughter, which includes both cows and bulls, last week was estimated at 128,000 head, 5% higher than a year ago and 15% higher than the five year average. In the last four weeks non-fed slaughter has averaged 7.5% above year ago levels. Fed cattle slaughter last week was estimated at 517,000 head, just 0.5% higher than last year but 16,000 head higher than the previous week. In the last four weeks fed slaughter has averaged about the same as last year despite significantly more cattle on feed. According to the latest USDA cattle on feed inventory count, the supply of cattle that on July 1 had been on feed for more than 120 days was up some 28% from last year. What concerns market participants in the short term is the ability of feedlots to market cattle in a timely fashion. Packer margins have been excellent for much of this year and robust beef demand, both in domestic and export channels. Calculated gross packing margins, while still quite robust, have been trending lower and packers will look to keep their margins under control. Cattle trade has been slow to develop recently as cattle buyers are waiting until the last moment before they pull the trigger and cover their needs. From the feedlot's perspective the extra marketing day in July has certainly been a big plus. While we will likely see a slight revision when the actual weekly numbers become available, our early estimate for steer and heifer slaughter in July shows a 4.7% increase compared to a year ago. If correct, this would put the marketing rate for the month at 16.6% (ratio of marketings/inventory). This is comparable to the marketing rate in the last two years but lower than the levels we saw in 2012 when inventories were near the level we saw today. August marketings will be critical. Last year the marketing rate in August was 18.7% and the previous year the marketing rate was 18.4%. In 2015 feedlots struggled to market cattle in a timely fash-

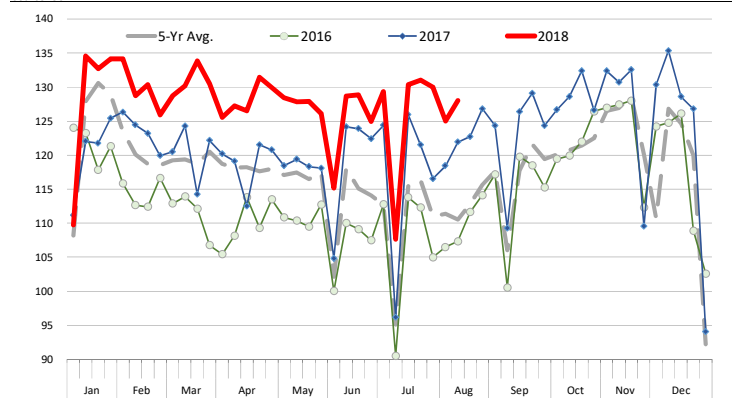
WEEKLY STEER AND HEIFER SLAUGHTER, '000 HEAD

Source: USDA



WEEKLY COW & BULL SLAUGHTER, '000 HEAD

Source: USDA



ion and were left with inventory that they then had to discount in September and October. Demand for Labor Day will be critical. Packers certainly have fewer cattle purchased on a contract basis for August delivery. The latest data shows 154,300 cattle contracted for delivery in August. At the end of July in 2017 packers had contracted for 226,153 cattle to be delivered in August. Additionally, we can see that packers sold a fair amount of beef to support Labor Day features. Everything points to robust beef sales and good demand for cattle in the next three weeks.

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
	9-Aug-18	2-Aug-18		8-Aug-17	
CME FEEDER CATTLE INDEX	151.12	149.70	0.9%	149.48	1.1%
	10-Aug-18	3-Aug-18		11-Aug-17	
FED STEER (5-MKT AVG)	112.47	111.48	0.9%	117.01	-3.9%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	105.00	109.00	-3.7%	119.50	-12.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	107.00	-1.9%	129.50	-18.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	100.50	100.50	0.0%	122.00	-17.6%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	168.61	171.40	-1.6%	154.79	8.9%

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
	10-Aug-18		3-Aug-18			11-Aug-17		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	206.0	208.0	208.0	210.0	-2.0	215.0	222.0	-14.0
90 CL Blended Cow	191.0	194.0	191.0	194.0	0.0	195.0	205.0	-11.0
90 CL Shank	195.0	197.0	194.0	195.0	2.0	195.0	200.0	-3.0
85 CL Fores	180.0	181.0	181.0	182.0	-1.0	185.0	190.0	-9.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	205.0	207.0	207.0	209.0	-2.0	215.0	218.0	-11.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings		180.0	180.0	181.0	-1.0	185.0	190.0	-10.0
80 CL Trimmings	167.0	168.0	167.0	169.0	-1.0	165.0	175.0	-7.0
75 CL Trimmings	155.0	160.0	162.0	164.0	-4.0		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A	115.0	120.0	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	275.0	280.0	275.0	280.0	0.0	265.0	270.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	235.0	240.0	235.0	240.0	0.0		250.0	-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
	10-Aug-18		3-Aug-18			11-Aug-17		
<i>US East Coast Australian/NZ Lean, FOB US Port</i>								
95 CL Bull, E. Coast	215.0	216.0	216.0	217.0	-1.0	231.0	233.0	-17.0
90 CL Blended Cow	198.0	200.0	200.0	201.0	-1.0	210.0	215.0	-15.0
90 CL Shank	203.0	204.0	203.0	204.0	0.0	210.0	212.0	-8.0
85 CL Fores	188.0	189.0	189.0	190.0	-1.0	195.0	200.0	-11.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	214.0	215.0	215.0	216.0	-1.0	228.0	230.0	-15.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<i>US East Coast, Trimmings, FOB US Port</i>								
85 CL Trimmings	187.0	188.0	188.0	189.0	-1.0	195.0	198.0	-10.0
80 CL Trimmings	176.0	177.0	178.0	179.0	-2.0	178.0	183.0	-6.0
75 CL Trimmings	165.0	166.0	170.0	171.0	-5.0		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A	125.0	130.0	N/A
<i>US East Coast Australian Cuts, FOB US Port</i>								
Cap Off Steer Insides	280.0	285.0	280.0	285.0	0.0	275.0	280.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles	250.0	255.0	250.0	255.0	0.0	250.0	255.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	10-Aug-18			3-Aug-18				11-Aug-17			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	206.61			204.75			1.9	201.66			5.0
Select Cutout	197.77			197.09			0.7	196.61			1.2
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	208.2	219.0	211.7	213.0	222.0	216.0	-4.3	232.0	236.5	233.7	-21.9
85 CL Beef Trimmings	155.3	181.0	172.1	157.0	191.0	172.4	-0.3	193.0	214.3	202.8	-30.7
50 CL Beef Trim	91.8	91.8	80.3	85.7	85.7	74.0	6.3	90.6	90.6	85.1	-4.8
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	33.3	49.5	38.9	33.9	61.1	39.5	-0.6	61.1	78.3	65.3	-26.5
72 CL Pork Trim	50.9	86.8	58.8	52.1	73.3	55.8	3.1	78.0	92.0	80.6	-21.8
<u>Point of Lean Values</u>											
90 CL Domestic	235.3			240.0			-4.7	259.6			-24.4
50 CL Beef Trimming	160.6			148.0			12.6	170.1			-9.5
42 CL Pork Trim	92.5			94.0			-1.4	155.6			-63.0
72 CL Pork Trim	81.7			77.4			4.2	111.9			-30.2
<u>National Direct Fed Steer price)</u>	112.47			111.48			1.0	117.01			-4.5

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
	10-Aug-18	3-Aug-18			11-Aug-17		
<u>Live Cattle Futures</u>							
August '18	108.250	108.625	↓	-0.38	110.000	↓	-1.75
October '18	109.250	110.475	↓	-1.22	108.050	↑	1.20
December '18	113.100	114.150	↓	-1.05	109.875	↑	3.22
February '19	116.375	117.375	↓	-1.00	111.500	↑	4.88
<u>Feeder Cattle Futures</u>							
August '18	149.900	152.300	↓	-2.40	141.525	↑	8.38
September '18	149.525	152.175	↓	-2.65	142.150	↑	7.38
October '18	149.475	152.750	↓	-3.28	140.975	↑	8.50
November '18	149.925	152.500	↓	-2.57	140.975	↑	8.95
<u>Corn Futures</u>							
September '18	357 3/4	362	↓	-4.25	372 1/4	↓	-14.50
December '18	371 3/4	375 3/4	↓	-4.00	386 1/4	↓	-14.50
March '19	383 1/4	386 3/4	↓	-3.50	398	↓	-14.75
May '19	390 1/4	392 1/4	↓	-2.00	403 3/4	↓	-13.50
<u>Ch Wheat Futures</u>							
September '18	546 3/4	531 1/4	↑	15.50	459 1/2	↑	87.25
December '18	569 1/2	550 3/4	↑	18.75	486 3/4	↑	82.75
March '19	591	566 3/4	↑	24.25	507 1/2	↑	83.50
May '19	598 3/4	573	↑	25.75	522	↑	76.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	11-Aug-18	4-Aug-18			12-Aug-17		
<u>Total Cattle Slaughter</u>	645,000	626,000	↑	19,000	636,000	↑	9,000
	28-Jul-18	21-Jul-18			29-Jul-17		
<u>Total Cow Slaughter</u>	117,572	119,106	↓	-1,534	105,238	↑	12,334
<u>Dairy Cow Slaughter</u>	58,186	56,106	↑	2,080	54,968	↑	3,218
<u>Beef Cow Slaughter</u>	59,386	63,000	↓	-3,614	50,270	↑	9,116

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

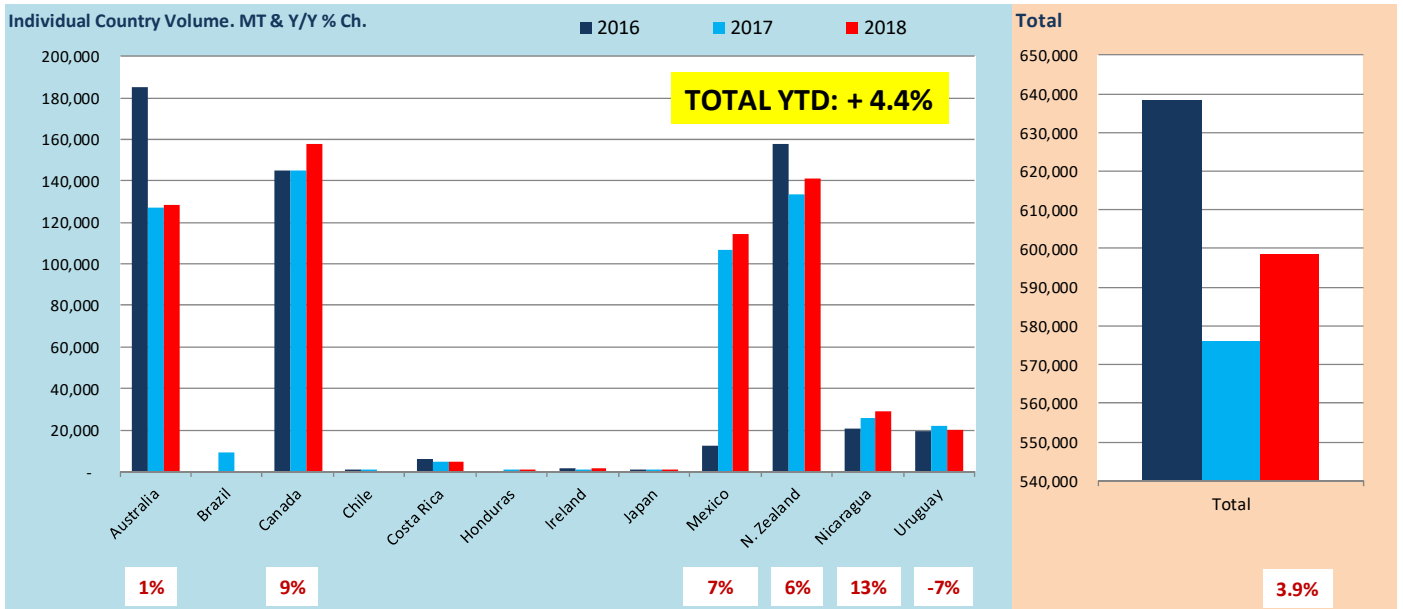
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 30	7/29/2017	7/28/2018		
Australia	127,365	128,395	1,030	0.8%
Brazil	9,022	-	(9,022)	-100.0%
Canada	145,008	157,511	12,503	8.6%
Chile	202	-	(202)	-100.0%
Costa Rica	4,958	4,823	(135)	-2.7%
France	-	-	-	
Honduras	95	1,085	990	1042.1%
Ireland	1,213	1,460	247	20.4%
Japan	225	280	55	24.4%
Mexico	106,990	114,483	7,493	7.0%
Netherlands	228	-	(228)	-100.0%
New Zealand	133,257	141,179	7,922	5.9%
Nicaragua	25,839	29,208	3,369	13.0%
Spain	-	-	-	
Uruguay	21,710	20,121	(1,589)	-7.3%
Total	576,113	598,545	22,432	3.9%

Source: AMS - USDA

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

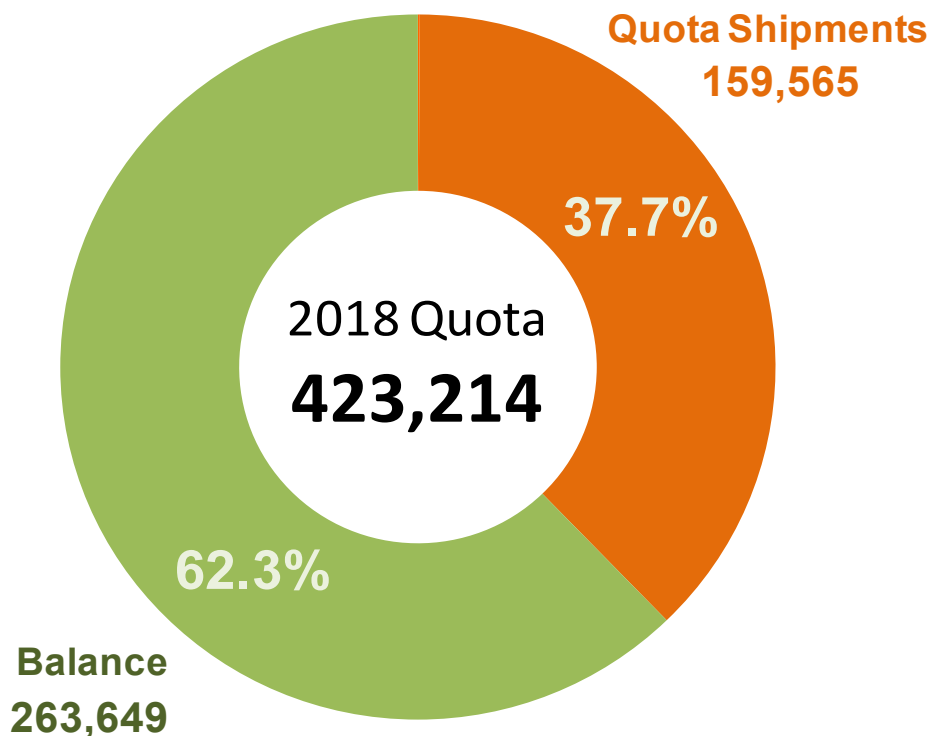
Imports as of July 28, 2018



Australian Beef Quota Position

9-Aug-18

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending July 30

Source: US Customs

