US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume 25, Issue 26

June 28, 2024

Prepared by: Steiner Consulting Group | SteinerConsulting.com |800-526-4612 |service@steinerconsulting.com

Note*:* Next week we will publish a short version of this report as I plan to be on holiday. The full report will return the following week.

Market Highlights for the Week:

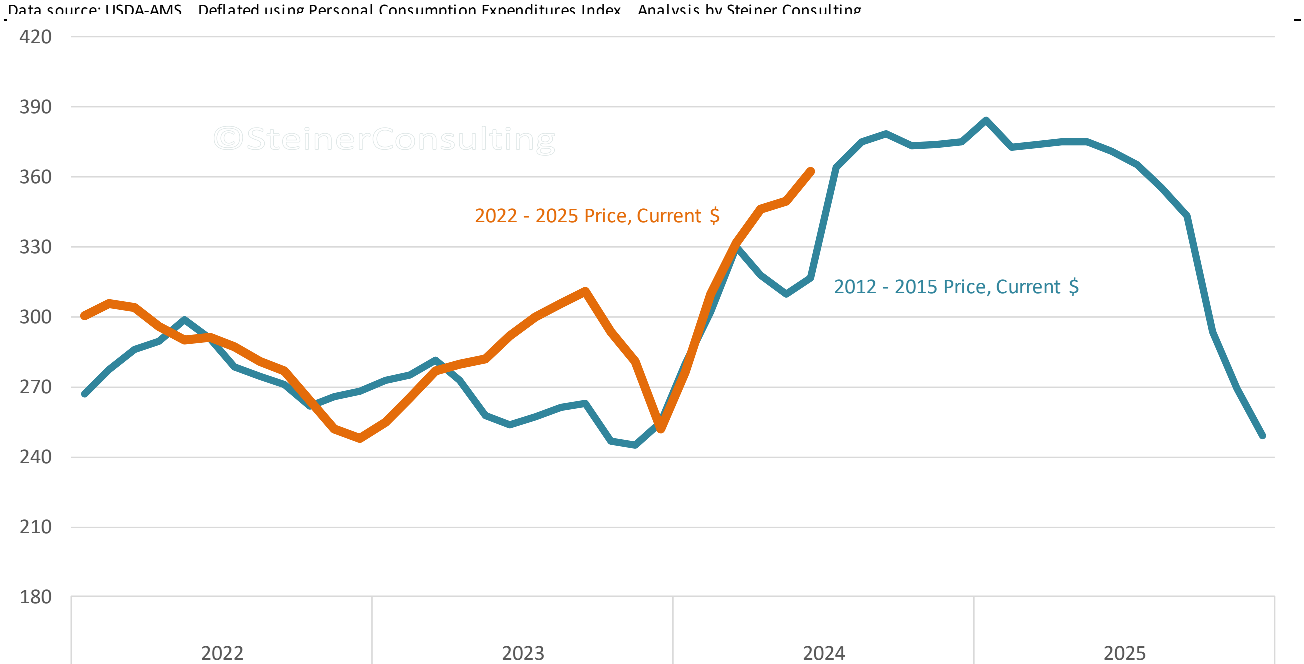
- Domestic lean beef prices hit record highs but so far tracking with the previous cycle when adjusted for inflation.
- Imported beef prices firm as large users look to maintain their position in light of limited domestic lean beef supply and higher prices for fed cattle and wholesale beef.
- Shortfall in dairy cow slaughter contributing to the overall decline in lean beef supplies. A smaller dairy herd is a factor but improving dairy margins (lower feed costs, higher dairy prices) and lack of replacement heifers has resulted in a much lower culling rate for dairy cows.
- Australian beef exports to the US in June on track to be up 40% y/y even as shipments to Japan have recovered.

Imported Market Activity for the Week

Imported beef prices continued to climb in tandem with the surging values of domestic fresh lean beef and ongoing uncertainty about lean beef supply later in the year. Getting cows bought, be this beef or dairy cull cows, has become increasingly difficult. This is reflected in the prices paid for cows (see page 4) and consequently the price of lean grinding beef and cow cuts. In the near term end users have continued to pay up to get needs covered. The surge in domestic lean beef values so far continues to follow the trajectory of the last cycle (chart below). In 2014 lean beef values pulled back modestly after Memorial Day but then surged higher in the second half of the year as spot availability dried up. There has been no pullback so far this year. Imported beef prices continue to trade at a big discount to domestic but that discount could start to narrow as imported

Comparison of 90CL Beef Prices during 2012-2015 and 2022-2025. Expressed in Current dollars

Data source: USDA-AMS. Deflated using Personal Consumption Expenditures Index. Analysis by Steiner Consulting



beef availability declines in Q3, something we discussed in depth last week. Big users of imported lean beef are well aware of supply flows and they are currently looking to stay ahead of expected Q3 needs, hence higher prices paid for imported beef.

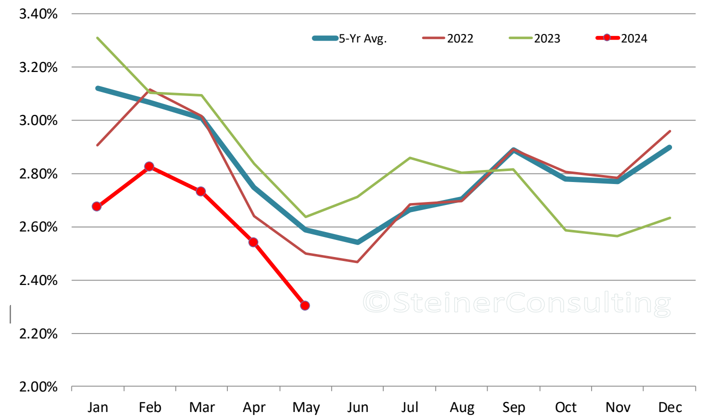
Imported cuts also hold a firm undertone as values for domestic cow and fed beef cuts continue to fly high. USDA reporting price of domestic fed beef inside rounds at $350/cwt and cap off domestic insides over $500/cwt fresh.

Other Market notes:

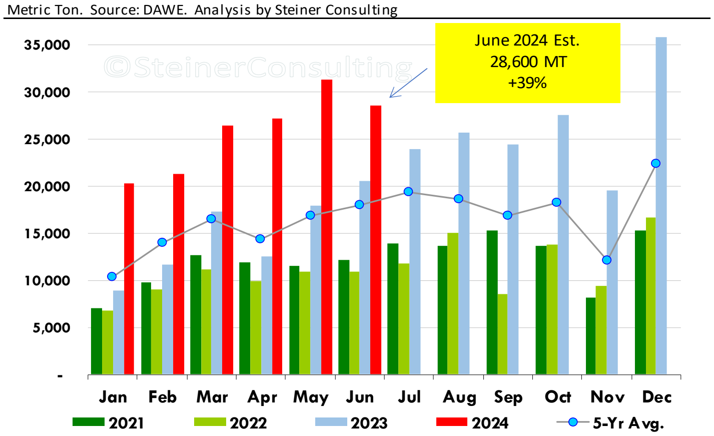
Lower dairy cow slaughter contributes to lean beef shortfall. Cow and bull slaughter in the four weeks ending June 29 was 18% lower than a year ago and 25% lower than two years ago. As we have noted previously, the focus often is on beef cow slaughter but lost in the discussion is that dairy cow slaughter is running about 20% lower than a year ago, often contributing as much if not more to the overall decline in slaughter. Dairy cow inventory is lower than a year ago, reducing the supply of cull cows but that does not explain the overall decline in cow slaughter. The latest official data for the dairy herd and monthly slaughter was for May. Inventory as of May 1 was estimated at 9.350 million head, 5k head higher than the previous month but about 68k head (-0.7%) lower than a year ago. Dairy cow slaughter in May was 216,100 head, down 33k head (-13.2%) lower than last year. The ratio of slaughter to inventory was 2.3% vs. 2.64% a year ago. Lower feed costs and robust dairy prices have resulted in significantly better dairy margins, encouraging producers to reduce the culling rate. Lack of replacement heifers has further contributed to the low culling rate, which has been consistently, and significantly, under both last year and the five year average. As corn prices continue to drift lower (more acres, good growing conditions) and pasture conditions have returned to a more "normal" trend, expectations are for June and July dairy cow slaughter to remain limited, further reducing the supply of lean beef coming to market.

US market top destination for Australian beef. We don't have the official Australian export statistics for June but it seems a sure bet that exports to the US are going to be near 40% above year ago levels. Our latest update puts shipments near 29k MT for the month of June, a bit lower than our projections a couple of weeks ago but still the top destination for Australian beef. The share of exports to the US in June looks to be 27% compared to 23% last year and 16% two years ago. Exports to the US remain firm even as shipments to Japan have recovered and are on track to be over 25k MT for the second consecutive month, 35% higher than a year ago. The supply of imported beef in inventory in Japan at the end of April was 16% lower

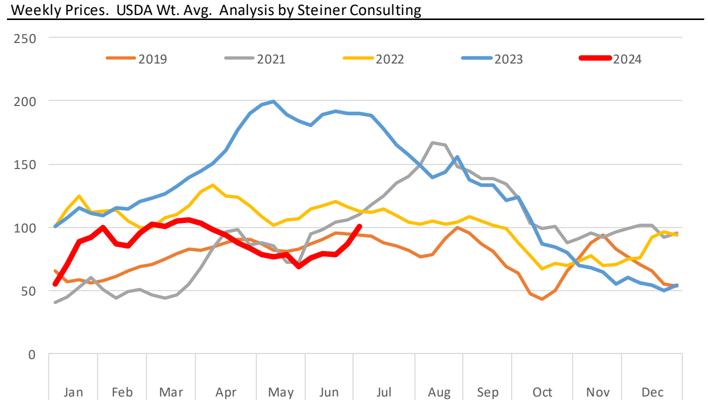
RATIO OF DAIRY COW SLAUGHTER (ADJUSTED) VS. MONTHLY DAIRY COW INVENTORY
Cow Slaughter Adjusted for Difference in Slaughter Days. Data from USDA. Analysis by Steiner Consulting



AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES
Metric Ton. Source: DAWE. Analysis by Steiner Consulting



Domestic Fresh 50CL Beef Trim, Price History. $/cwt
Weekly Prices. USDA Wt. Avg. Analysis by Steiner Consulting

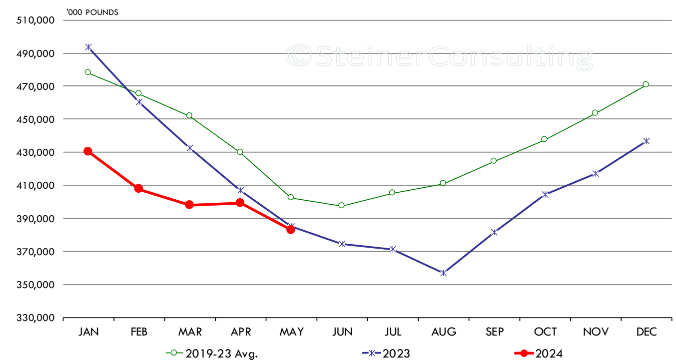


than a year ago. High prices in the US combined with the strong US dollar mean more Japanese demand shifting towards Australia.

Lower y/y beef inventory. Beef inventory in cold storage remains below both last year and five-year average. The drawdown of boneless beef in May was bigger than normal, which we view as positive for prices this summer. All beef inventory at 423.7M was down 0.5% vs. year ago. Last year, high prices forced end users to draw down their beef inventories. It appears we are on a similar trajectory this year as well. Total inventory at the end of May was near the long run average. Total beef inventory drawdown was 3% in May, about the same as the long run drawdown. Boneless beef inventory at the end of May was 382.7M pounds, 0.6% lower than a year ago and 4.9% lower than the five-year average. The drawdown in boneless beef inventories was 4.1% compared to a long run average of 2%. Record high cow meat prices and high prices for round and chuck cuts should continue to drive boneless beef inventory depletion. Bone-in beef inventory at the end of May was 1.1% higher than a year ago.

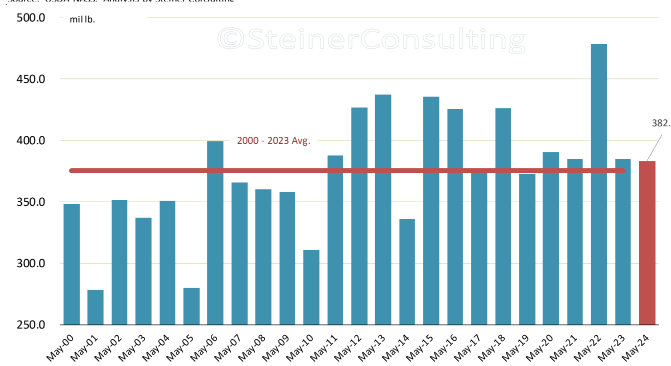
MONTHLY VOLUME OF BONELESS BEEF IN COLD STORAGE.

Y/Y Comparison. '000 pounds. Data source: USDA-NASS. Analysis by Steiner Consulting



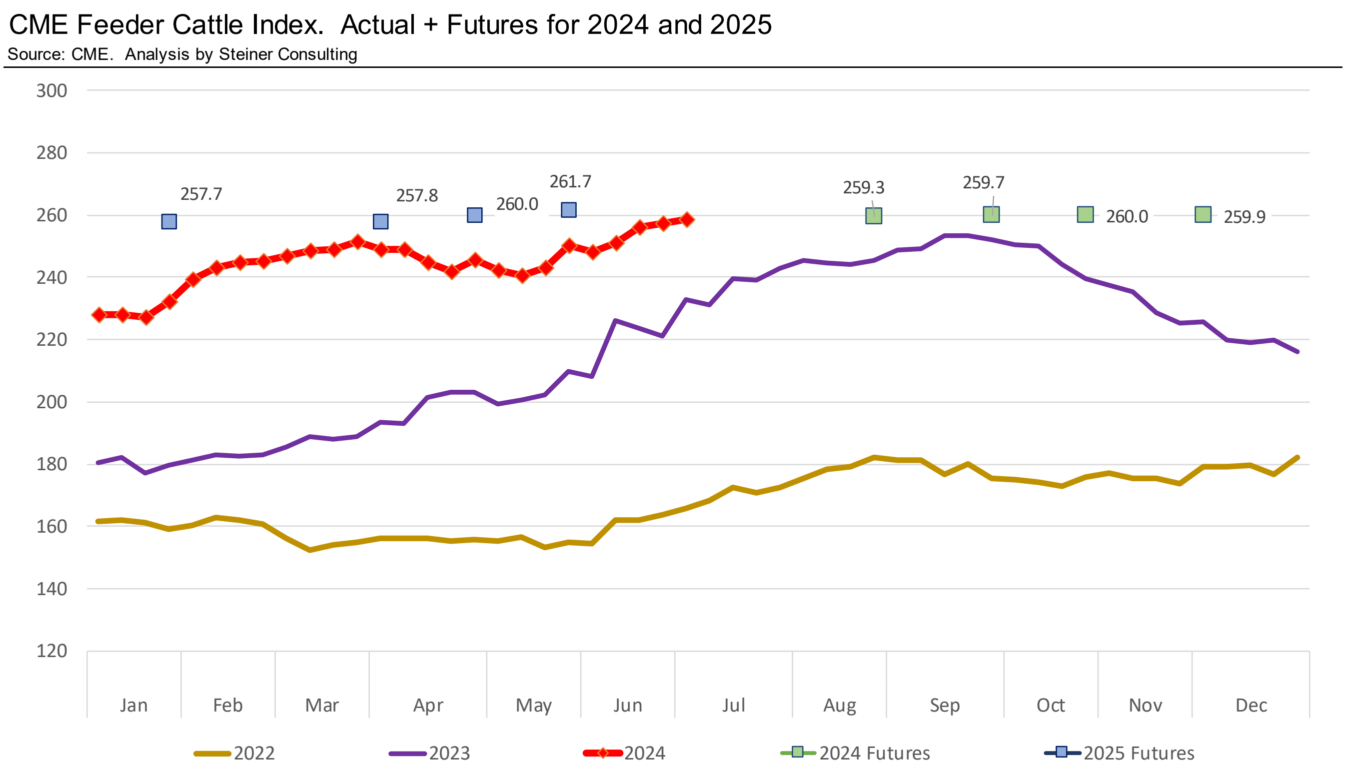
INVENTORY OF BONELESS BEEF AT END OF MAY. MILLION LB.

Source: USDA-NASS. Analysis by Steiner Consulting



CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	27-Jun-24	20-Jun-24		29-Jun-23	
CME FEEDER CATTLE INDEX	258.60	257.47	0.4%	232.75	11.1%
	28-Jun-24	21-Jun-24		30-Jun-23	
FED STEER (5-MKT AVG)	194.83	195.05	-0.1%	180.82	7.7%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	240.50	235.50	2.1%	184.00	30.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	242.50	236.50	2.5%	189.00	28.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	249.50	241.00	3.5%	189.00	32.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	294.86	285.77	3.2%	234.21	25.9%



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
	28-Jun-24		21-Jun-24			30-Jun-23		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	295.0	298.0	287.0	290.0	8.0	257.0	260.0	38.0
90 CL Blended Cow	284.0	285.0	275.0	278.0	7.0	235.0	237.0	48.0
90 CL Shank		275.0	265.0	270.0	5.0	240.0	245.0	30.0
85 CL Fores	268.0	269.0	265.0	268.0	1.0	224.0	225.0	44.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	295.0	296.0	286.0	288.0	8.0	257.0	259.0	37.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	267.0	268.0	264.0	266.0	2.0	222.0	223.0	45.0
80 CL Trimmings	238.0	240.0	235.0	236.0	4.0	210.0	212.0	28.0
75 CL Trimmings	206.0	207.0	205.0	207.0	0.0	200.0	205.0	2.0
65 CL Trimmings	140.0	145.0	140.0	145.0	0.0	150.0	155.0	-10.0
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	355.0	358.0	350.0	355.0	3.0	305.0	312.0	46.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	315.0	318.0	310.0	315.0	3.0	295.0	300.0	18.0
Steer Knuckles	305.0	307.0	300.0	305.0	2.0		UNQ	N/A

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	28-Jun-24		21-Jun-24			30-Jun-23		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	308.0	310.0	304.0	305.0	5.0	267.0	268.0	42.0
90 CL Blended Cow	295.0	297.0	289.0	290.0	7.0	245.0	247.0	50.0
90 CL Shank		285.0		280.0	5.0	245.0	250.0	35.0
85 CL Fores	279.0	280.0	278.0	279.0	1.0	227.0	229.0	51.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	308.0	309.0	302.0	304.0	5.0	265.0	266.0	43.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	277.0	278.0		277.0	1.0	225.0	227.0	51.0
80 CL Trimmings	243.0	245.0	242.0	243.0	2.0	221.0	222.0	23.0
75 CL Trimmings		215.0	212.0	214.0	1.0	208.0	210.0	5.0
65 CL Trimmings	154.0	155.0	154.0	155.0	0.0	160.0	162.0	-7.0
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	370.0	375.0	365.0	370.0	5.0	345.0	350.0	25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	330.0	335.0	325.0	335.0	0.0	310.0	315.0	20.0
Steer Knuckles	315.0	320.0	315.0	320.0	0.0	320.0	325.0	-5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	28-Jun-24			21-Jun-24				30-Jun-23			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout	326.32			322.39			3.9	327.72			-1.4
Select Cutout	304.50			303.11			1.4	293.63			10.9
Domestic Lean Grinding Beef											
90 CL Boneless	359.5	417.0	371.1	355.0	383.0	364.1	6.9	284.0	306.0	291.8	79.3
85 CL Beef Trimmings	329.0	367.0	348.3	330.0	353.5	342.7	5.6	255.0	283.0	272.3	76.0
50 CL Beef Trim	77.0	114.0	100.6	65.0	109.0	86.8	13.8	175.0	212.0	190.0	-89.4
Domestic Pork Trim											
42 CL Pork Trim	36.7	88.5	46.4	40.0	76.0	49.5	-3.1	68.0	98.0	77.6	-31.3
72 CL Pork Trim	70.0	119.6	83.5	80.0	125.8	94.9	-11.4	55.6	117.9	103.1	-19.6
Point of Lean Values											
90 CL Domestic	412.3			404.6			7.7	324.2			88.1
50 CL Beef Trimming	201.3			173.6			27.7	380.1			-178.8
42 CL Pork Trim	110.4			117.8			-7.4	184.9			-74.5
72 CL Pork Trim	115.9			131.8			-15.9	143.2			-27.3
National Direct Fed Steer (5-day accum. wt. avg. price)	194.83			195.05			-0.2	180.82			14.0

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last Week	Last Year	Change From Last Year
	28-Jun-24	21-Jun-24		30-Jun-23	
Live Cattle Futures					
June '24	193.500	187.600	↑ 5.90	181.500	↑ 12.00
August '24	185.425	183.150	↑ 2.28	177.175	↑ 8.25
October '24	184.875	183.625	↑ 1.25	179.550	↑ 5.32
December '24	185.900	186.075	↓ -0.17	183.525	↑ 2.38
Feeder Cattle Futures					
August '24	259.300	258.375	↑ 0.93	247.575	↑ 11.73
September '24	259.650	259.900	↓ -0.25	250.825	↑ 8.82
October '24	260.000	260.625	↓ -0.63	252.525	↑ 7.47
November '24	259.850	260.500	↓ -0.65	252.650	↑ 7.20
Corn Futures					
July '24	397.250	435.000	↓ -37.75	554.500	↓ -157.25
September '24	407.500	440.500	↓ -33.00	488.500	↓ -81.00
December '24	420.750	453.250	↓ -32.50	494.750	↓ -74.00
March '25	434.750	464.000	↓ -29.25	506.500	↓ -71.75
Ch Wheat Futures					
July '24	553 1/2	561 1/2	↓ -8.00	636 1/4	↓ -82.75
September '24	573 1/2	575 3/4	↓ -2.25	651	↓ -77.50
December '24	597	599 3/4	↓ -2.75	669 1/4	↓ -72.25
March '25	615 1/2	618 1/4	↓ -2.75	722	↓ -106.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last Week	7 Days Ending	Change From Last Year
	29-Jun-24	22-Jun-24		1-Jul-23	
Total Cattle Slaughter	609,000	620,000	↓ -11,000	650,700	↓ -41,700
	15-Jun-24	8-Jun-24		17-Jun-23	
Total Cow Slaughter	103,602	102,314	↑ 1,288	126,200	↓ -22,598
Dairy Cow Slaughter	47,586	46,599	↑ 987	57,700	↓ -10,114
Beef Cow Slaughter	56,016	55,715	↑ 301	68,500	↓ -12,484

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

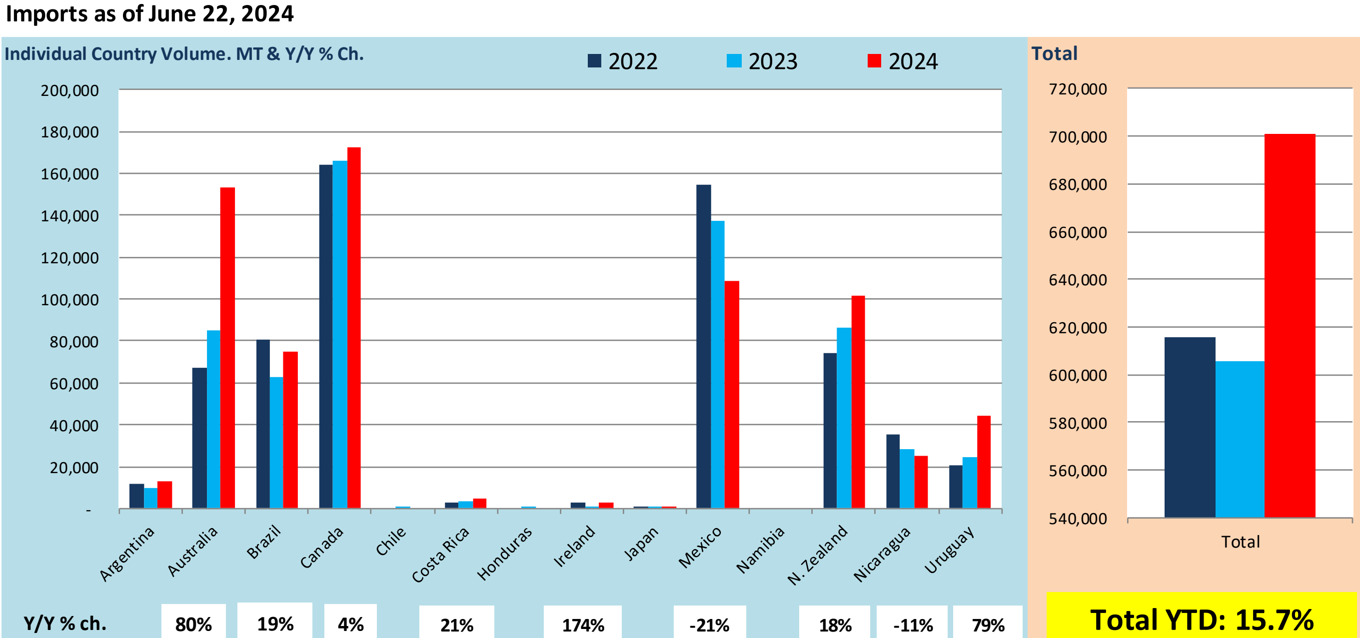
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 25	6/24/2023	6/22/2024		
Argentina	10,095	13,232	3,137	31.1%
Australia	84,864	152,995	68,131	80.3%
Brazil	62,866	74,631	11,765	18.7%
Canada	166,120	172,114	5,994	3.6%
Chile	20	-	(20)	-100.0%
Costa Rica	3,779	4,578	799	21.1%
France	-	-	-	
Honduras	19	-	(19)	-100.0%
Ireland	944	2,586	1,642	173.9%
Japan	779	772	(7)	-0.9%
Mexico	137,044	108,589	(28,455)	-20.8%
Namibia	-	-	-	
Netherlands	-	-	-	
New Zealand	86,262	101,791	15,529	18.0%
Nicaragua	28,400	25,343	(3,057)	-10.8%
Spain	-	-	-	
Uruguay	24,772	44,355	19,583	79.1%
Total	605,964	700,987	**95,023**	**15.7%**

Source: AMS - USDA

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

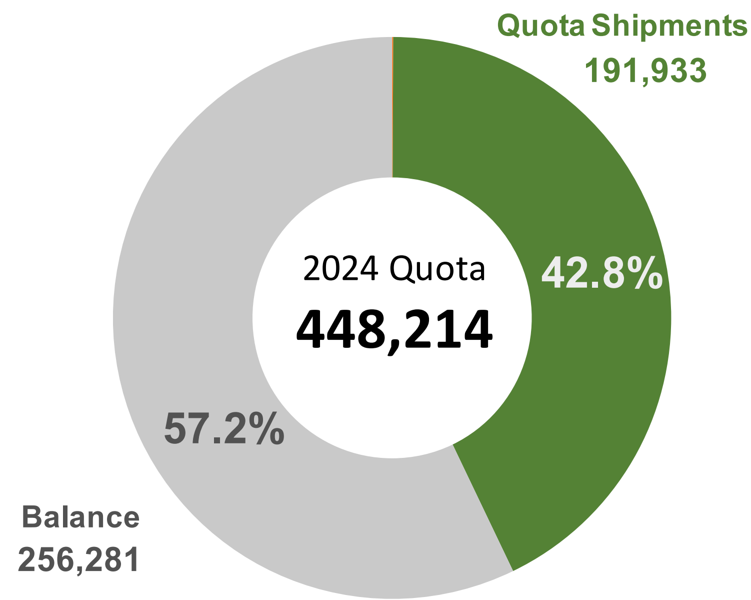
Imports as of June 22, 2024



Australian Beef Quota Position

27-Jun-24

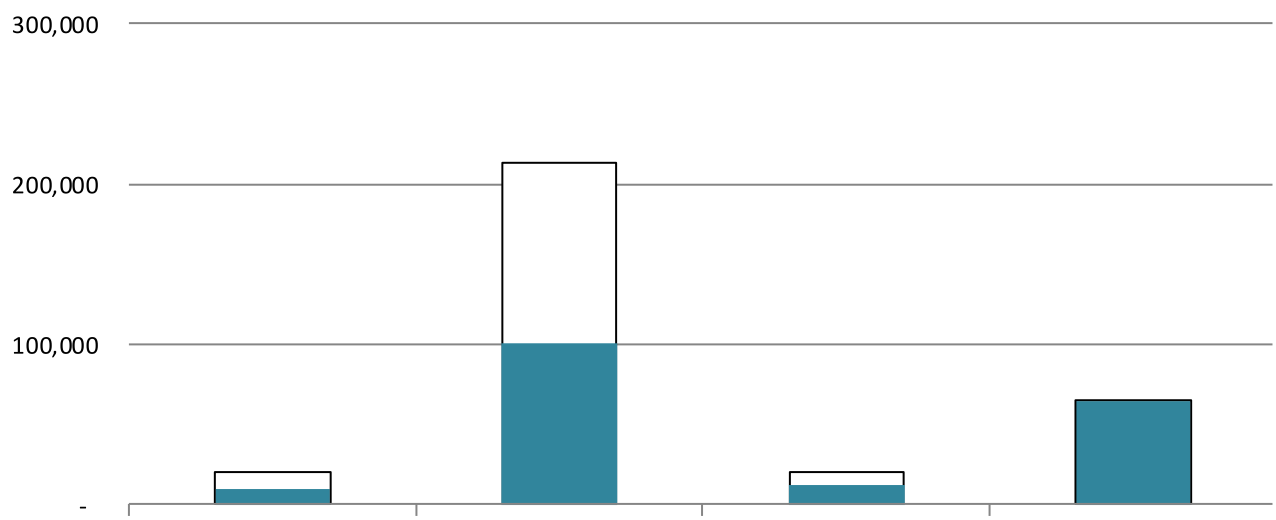
Metric Ton. Australian Department of Agriculture Statistics



Australia still has a quota in place even though beef no longer faces a quota based tariff. The over quota product is now subject to a safeguard duty. Due to this DAFF continues to report volume shipped against quota.

USA Quota Entries through Week Ending June 24. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting



	Argentina	New Zealand	Uruguay	Other
2023 YTD	8,598	85,124	9,675	65,005
2024 YTD	10,479	100,832	12,571	65,005
Y/Y %	22%	18%	30%	0%
Quota	20,000	213,402	20,000	65,005
% cleared	**52%**	**47%**	**63%**	**100%**