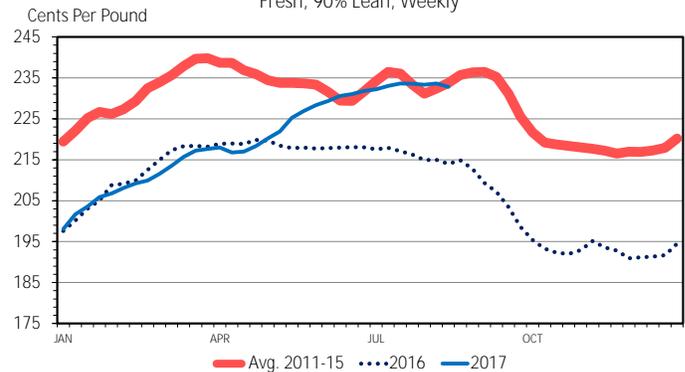


Lean beef trimmings prices are proving to be impressively resilient in the midst of weakening values for other beef products. Several factors are in play, currently. Favorable consumer demand for ground beef would seem to be the most obvious feature. On the supply side of the market, imports of beef from Australia during the most recent quarter were down 28% from a year earlier and down 55% from the Spring of 2015, forcing more of the demand for hamburgers to be filled by domestic lean beef production.

Imports from most other countries are up in order to capitalize on the higher beef trimmings prices. In June, beef imports from New Zealand were above a year earlier by 10%, the first month an increase has been registered from this source in 2017. Imports from Canada in June were up 20% from the prior June and Mexico beef shipments to the US were up 30%, year-over-year, in June. The increasing availability of beef from countries other than Australia is reducing US demand for Australian beef. During January and February, prices for imported Australian lean beef on the US East Coast were premium to the fresh domestic 90% lean beef price by 4-5 cents per pound. That premium fell back to 1-2 cents during the spring quarter and then moved to a discount in June. The discount in Australian beef trim relative to domestic beef trim averaged 5 cents

## WHOLESALE BONELESS BEEF PRICES

Fresh, 90% Lean, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

M-P-24  
08/22/17

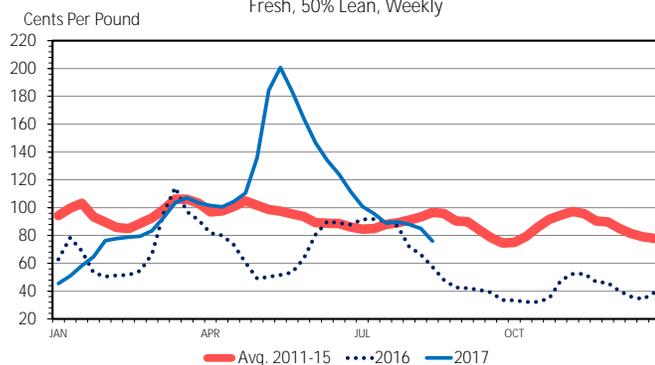
per pound in July. At some point in time, these price discounts should begin to limit additional gains in domestic lean beef values.

Another issue supporting lean beef values are inexpensive supplies of fat beef trimmings. In early May, 50% lean beef trimming prices spiked up to \$2.00 per pound, but since then have fallen back to more normal values, and are now below the five year average for this time of year. Least cost ground beef formulation optimizing calculations using low priced fat beef trimmings result in rising prices that can be paid for the lean beef trimming component for making hamburger product.

Steer and heifer slaughter (the primary source of fat beef trimmings) during July and early August was up 5% from a year ago. Even with the larger supply, prices were slightly higher than a year ago in July, which makes a favorable statement about demand for the product. Cow and bull slaughter, the source of supply for lean beef trimmings, is up close to 10% in July and August. The ability of lean beef trimmings prices to post the increases relative to a year ago given the larger supply is amazing from the point of view that demand for beef trimmings is very good this year or was very bad last year, or maybe a little of both.

## WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly



Data Source: USDA-AMS  
Livestock Marketing Information Center

M-P-25  
08/22/17



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