

## First signs of lift in cattle demand

Cattle prices lifted across both saleyard and direct to works selling this week, providing the first signs of a possible lift in end user demand.

With yardings up 13% on last week (but still down on last year), it was a strengthening in the competition between restockers, feeders and processors that led to the rise across almost all categories and states. This competition was most clearly reflected in the EYCI, which finally broke away from the 350¢/kg cwt level it had maintained since early March, up almost 9¢ to 358.75¢.

The US import market is showing positive signs, feedlots are still placing cattle in pens for end-of-year Japan and Korean demand, and the recent rains have reinforced expectations of a good spring (further encouraging restockers).

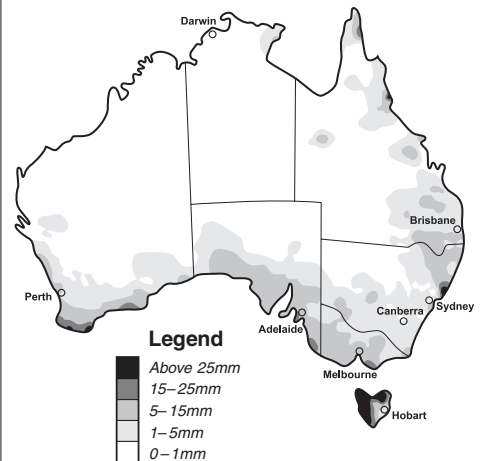
The normal August/September peak in cattle prices is, however, likely to be constrained by the high and volatile A\$ and continued economic concerns in Japan and the US markets.

Despite a small fall in lamb yardings, prices slipped slightly across national indicators this week, with the notable exception of Merino lambs in NSW and WA, which lifted on the back of last week's useful rains in the wheat/sheep regions.

NSW buyers managed to pull mutton sheep prices back 28¢ from last week's record, causing the national indicator to also fall from its record.

## Weather watch...

### Rainfall analysis – week ending 22 July 2010



Source: Bureau of Meteorology

### Rainfall outlook into spring

After a number of wet weeks across many regions of Australia, significant falls for the past week were almost non-existent. Although much of southern Australia received scattered falls of up to 10mm, heavier falls were limited to small coastal pockets, such as the NSW mid-north coast and western Tasmania.

(continued on page 7)

## Key developments:

Lamb exports to South Asia break record – page 5

EU to maintain restrictions on Brazilian beef – page 6

NZ lamb kill forecast revised down – page 6

Grain continues cheaper run in south – page 7

Australian foodservice on healthy growth – page 7

Price premium for MSA beef in 2009-10 – page 8

## National saleyard indicators

MLA's NLRS

Cattle	Weight	Muscle/Fat		TW	LW	LY
Trade steer	330-400kg	C3	(¢/kg lwt)	186	187	186
			(¢/kg cwt)	347	353	346
Medium steer	400-500kg	C3	(¢/kg lwt)	174	166	173
			(¢/kg cwt)	330	322	322
Japan ox	500-600kg	C4	(¢/kg lwt)	177	175	179
			(¢/kg cwt)	324	319	326
US cow	400-520kg	D3	(¢/kg lwt)	135	131	130
			(¢/kg cwt)	276	268	268
Feeder steer	330-400kg	C2	(¢/kg lwt)	193	188	185
<b>Sheep and lambs</b>						
Restocker/feeder lamb	0-18kg	1-2	(\$/head)	75	79	66
Merino lamb	16-22kg	2-3	(¢/kg cwt)	441	444	407
Light lamb*	12-18kg	2-3	(¢/kg cwt)	454	437	409
Trade lamb#	18-22kg	2-4	(¢/kg cwt)	507	510	490
Heavy lamb#	22+kg	2-4	(¢/kg cwt)	495	497	491
Mutton	18-24kg	2-3	(¢/kg cwt)	410	427	320

## National over the hooks indicators

MLA's NLRS

Cattle (¢/kg cwt)	Weight	Muscle	Fat	TW	LW	LY
Trade steer **	220-260kg	A-C	3-12	322	321	325
Medium steer	260-300kg	A-C	7-22	305	304	296
Japan ox	300-420kg	A-C	7-22	309	308	296
US cow	200-240kg	A-D	3-22	256	255	250
<b>Sheep and lambs (¢/kg cwt)</b>						
Light trade lamb	18-20kg		2-4	493	495	488
Heavy trade lamb	20-22kg		2-4	492	495	489
Heavy lamb	22-24kg		2-4	486	489	486
Mutton	18-24kg		2-4	352	352	264

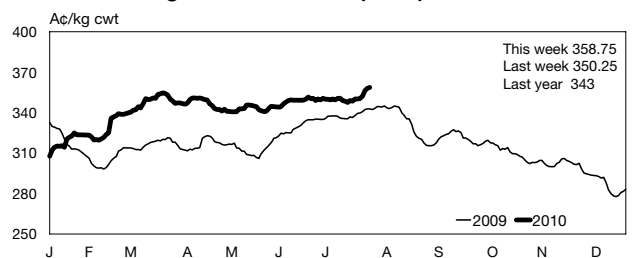
TW = This week, LW = Last week, LY = Last year

\*\* New OTH weight changes on trade steers (see note on page S1)

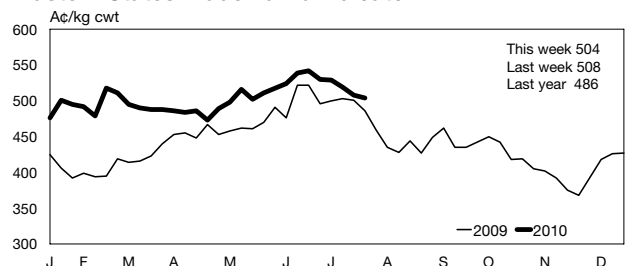
## Livestock prices

MLA's NLRS

### Eastern Young Cattle Indicator (EYCI)



### Eastern States Trade Lamb Indicator



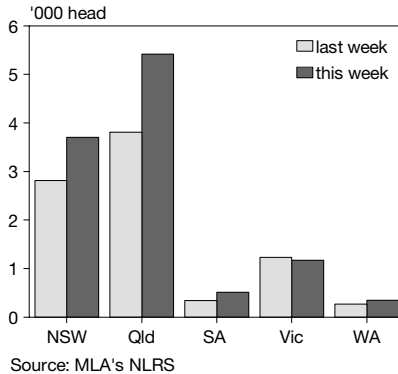
## Yearling steer numbers surge

With rain reduced yardings across many regions last week, throughput at MLA's NLRS reported physical markets increased 13% this week. Despite the higher offerings, supplies remain 7% below the corresponding week last year.

While offerings surged across most categories this week, the largest increase was registered for yearling steers. Around 32% more yearling steers were offered on last week, with the majority of the increase coming from Queensland markets. Numbers were also higher in NSW and SA. Supplies of yearling steers were up in WA, although it was a very mixed quality offering at Muchea, where the limited number of certified grain fed lots offered were in strong demand from processors, reaching 219¢/kg lwt.

While the quality of yearling steers offered remains mixed, as is often the case in the middle of winter, there has also been a noticeable improvement in quality at some saleyards, with crop finished and supplementary fed lots entering the market. The supply of lightweight C2 yearling steers increased 56%, with restockers accounting for most purchases at prices around 193¢/kg lwt. There was a 36% increase in the number of heavyweight C3's offered, which sold to strong competition from feeders and processors, gaining 4¢ on last week to average 184¢/kg lwt overall.

National yearling steer supply



MLA's NLRS

## Grown cattle dearer

Export categories registered stronger prices this week across all eastern states indicators.

The Japan ox indicator lifted 6¢ to settle at 183.7¢/kg lwt after Thursday's markets. The higher level was driven by the two Toowoomba markets where the indicator grades averaged from 187¢ to 190¢, while Japan Ox prices in Mount Gambier averaged 195¢/kg.

The US cow indicator finished 6¢ higher this week, at 141¢/kg lwt. Victorian and SA markets averaged from mid-140¢, to 155¢/kg lwt at Pakenham for D3 medium weight cows. At Dubbo, indicator grades averaged 148¢/kg lwt.

MLA's NLRS

### Cattle movements

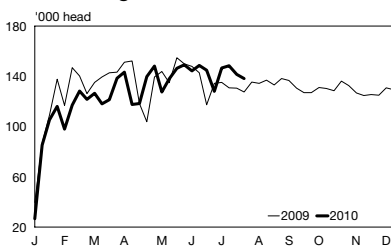
Slaughter statistics - for week ending 16/07/10

		TW	LW	LY
Qld	Cattle	75,628	74,645	70,867
	Calves	1,543	1,689	1,534
NSW	Cattle	34,519	35,447	31,567
	Calves	1,940	2,287	2,762
Vic	Cattle	19,397	20,143	18,949
	Calves	8,064	7,770	9,184
SA	Cattle	3,817	6,578	3,137
	Calves	53	37	nq
Tas	Cattle	4,867	4,698	3,172
	Calves	617	597	956

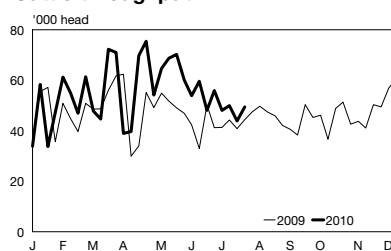
Saleyard throughput - for week ending 22/07/10  
At NLRS reported centres

	TW	LW	LY
Qld*	18,297	17,436	10,895
NSW	16,973	13,929	18,834
Vic	9,606	8,770	9,709
SA	2,495	1,749	3,023
WA	1,925	1,839	1,812
Tas	155	140	127

### Cattle slaughter



### Cattle throughput\*



\*includes Roma sale from January 2010

## EYCI surges to 2010 high

At the completion of Thursday markets, the Eastern Young Cattle Indicator (EYCI) settled at 358.75¢, up 8.50¢ from the previous week and 15.75¢/kg cwt above the same time last year.

This week's increase eclipsed the previous 2010 high set in mid-March, when cattle supplies were severely restricted by flood conditions across Queensland and parts of NSW and is the highest daily level since early October 2008.

The rise in the EYCI was despite a 10% increase in the number of cattle included. Dubbo was the largest contributor, where feeder and restocker buyers were noticeably stronger.

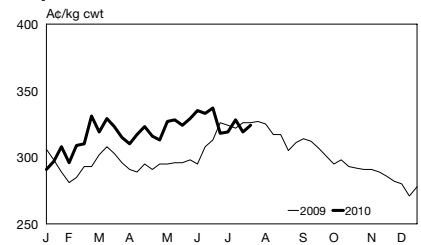
Restockers pushed medium weight vealer steer prices up to 18¢ higher, with a top of 222¢ and an average of 214¢/kg lwt. Feeders paid up to 207¢ for lightweight yearling steers, with the average at 199¢, while restockers paid around 205¢/kg lwt for similar lines.

MLA's NLRS

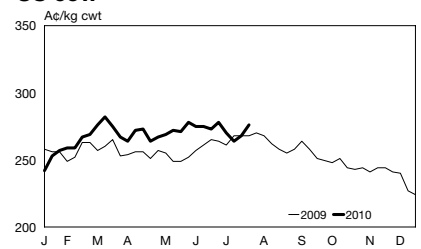
### National indicators

MLA's NLRS

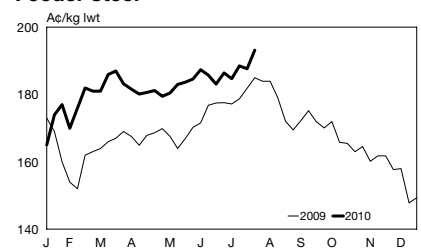
#### Japan ox



#### US cow



#### Feeder steer



Cattle price data is contained on page 1 of the statistics section.

## Mutton prices ease from peak

The national mutton indicator again reached new highs at MLA's NLRS reported markets last Friday, averaging 426¢/kg cwt, before declining this week. This eclipsed the previous record achieved during mid June 2010. Current prices are 90¢/kg cwt higher year-on-year.

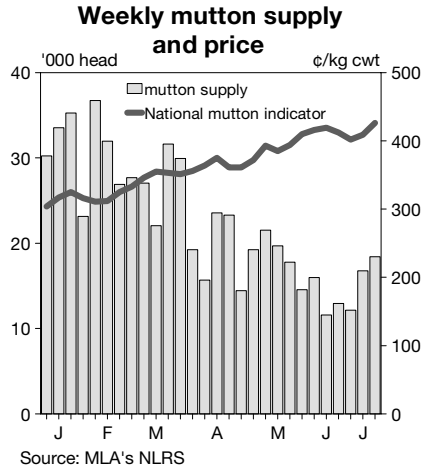
Remarkably, mutton prices have averaged above 400¢/kg cwt since the June long weekend, despite reduced competition due to recent annual maintenance breaks by export processors. This current strength can also be demonstrated by comparing mutton prices with national trade lamb prices, which averaged 374¢/kg in November 2009.

The long liquidation of the sheep flock appears to be slowing, as producers look to re-establish sheep and lamb enterprises where possible. However, with the decent winter rain providing confidence for producers in the eastern states, supply can be expected to remain tight.

This week, mutton prices were cheaper nationally, falling 17¢, to average 410¢/kg cwt after Thursday's markets. Prices were strongest in Victoria at 434¢, while some wet and cold weather restricted WA throughput, which contributed to mutton averaging 398¢/kg cwt.

NSW prices slipped 28¢ to finish at 407¢/kg cwt – which was primarily a reflection of the price spike registered at last week's Wagga market. Sheep prices were relatively firm this week in SA, with most mutton pens selling around 380¢/kg cwt.

MLA's NLRS



## Low numbers of Merino lambs

Merino lamb numbers typically trough in the weeks prior to Christmas and build up to a peak in the middle of the year. This has been the case again this year; however, overall numbers have been well below previous years. The peak supply point this winter for Merino lambs purchased by processors from the saleyards was 18% lower than last year and year, to date numbers were 23% lower than last year and 9% below 2008 levels.

The number of Merino lambs returning to the paddock tends to remain reasonably stagnate throughout the year, with the most purchased in May.

MLA's NLRS

## Sheep and lamb movements

MLA's NLRS

Slaughter statistics - for week ending 16/07/10

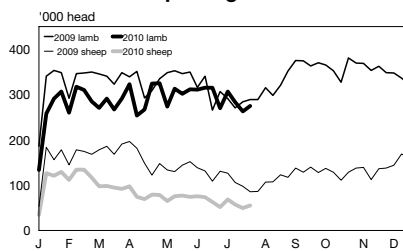
		TW	LW	LY
Vic	Lambs	143,669	142,075	135,735
	Sheep	26,510	22,402	31,481
NSW	Lambs	78,822	69,519	89,742
	Sheep	18,299	16,553	39,005
SA	Lambs	36,595	36,343	49,675
	Sheep	2,227	2,561	7,022
Qld	Lambs	6,825	6,081	2,696
	Sheep	7,723	7,190	5,712
Tas	Lambs	8,484	8,395	10,744
	Sheep	463	953	2,036

Saleyard throughput - for week ending 22/07/10

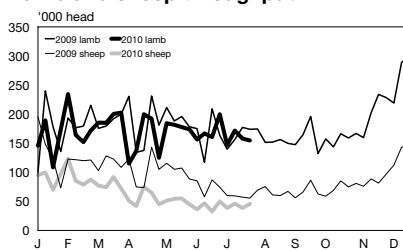
At NLRS reported centres

		TW	LW	LY
Vic	Lambs	31,795	28,857	28,517
	Sheep	8,921	8,034	11,162
NSW	Lambs	88,834	96,504	112,612
	Sheep	19,682	22,890	25,774
SA	Lambs	14,800	16,183	18,292
	Sheep	3,487	2,736	6,302
WA	Lambs	18,545	15,659	14,000
	Sheep	13,928	4,982	12,445
Tas	Lambs	700	900	450
	Sheep	50	250	350

## Lamb and sheep slaughter\*



## Lamb and sheep throughput\*



\*figure includes Tasmania as of March 2009

## Processing lambs cheaper

Trade and heavy lamb prices were cheaper at MLA's NLRS reported saleyards, despite 2% less numbers. The national trade lamb indicator slipped 3¢ to average 507¢ and heavy lambs dropped 2¢, to 495¢/kg cwt.

WA indicator prices were the highest for the second week in succession and along with SA, WA prices were dearer. Light and restocker lambs were dearer, as were Merino lambs.

Over the hooks prices in NSW, Queensland and Victoria were cheaper, and all other states were firm. The tight supplies in WA are continuing to drive rates, and several processors are working on less than full capacity due the limitation of numbers. There remain a few major processors closed for maintenance across the eastern states.

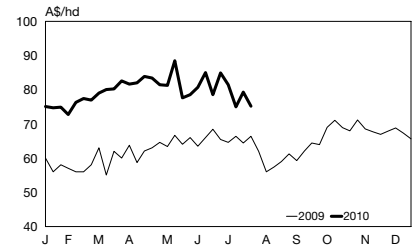
Last week, lamb slaughter numbers were up 13% in NSW, 12% in Queensland and 1% in Victoria, SA and Tasmania.

MLA's NLRS

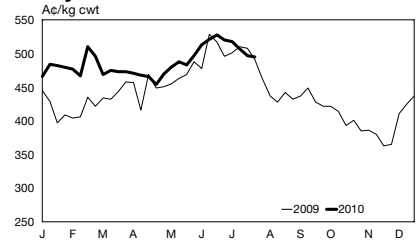
## National sheep and lamb indicators

MLA's NLRS

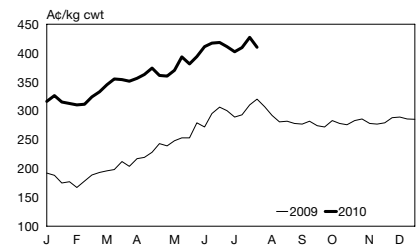
### Restocker feeder lamb



### Heavy lamb



### Mutton



Sheep and lamb price data is contained on page 1 of the statistics section.

## Narromine store sale

Although numbers remain difficult to find, there was a better selection of cross bred ewes at Narromine. There were some good lines of Merino ewes penned, which included a flock dispersal of ewes back in lamb to Merino rams. There was just the one pen of wethers yarded. Buyer competition was strong, as they hailed from Cowra, Parkes, Goulburn, Wellington, Forbes, Warren, Wagga Wagga, Wodonga and Crookwell and there was plenty of interest from local district buyers.

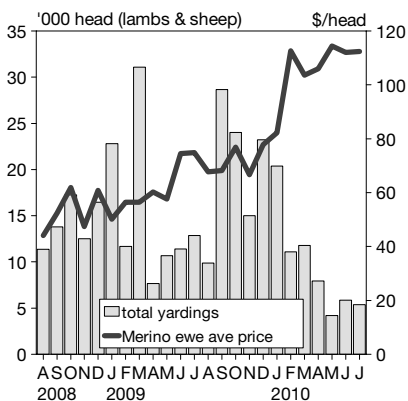
The best of the cross bred ewes were a line of one year olds, June shorn and 100% scanned in lamb to the Poll Dorset rams, sold for \$182.00/head. The better quality unjoined one year olds and rising one year old cross bred ewes sold from \$146.00 to \$153.00/head. A pen of plain one year olds, April shorn sold for \$113.00/head. A line of mixed age cross bred ewes with 100% lambs at foot sold for \$153.50/head. A pen of second cross Dohne ewe lambs, November and December 2009 drop, unshorn sold for \$97/head. The wether lambs from the same consignment, went to restockers for \$74/head. The limited offering of store lambs sold from \$60 to \$76/head.

The best of the Merino ewes were one and a half to two and a half year olds, June shorn and 100% scanned in lamb to Border Leicester rams, selling for \$150.50/head. Merino ewes in lamb to meat rams sold from \$125 to \$141/head. A dispersal flock of Merino ewes, January shorn and scanned in lamb to Merino rams sold from \$101 for the 2005 drops, up to \$130/head for the 2008 drops. A line of rising two year old Merino ewes, June shorn and NSM sold for \$112/head. Two pens of plain conditioned ewes unjoined sold for \$57.50 and \$86.50/head. A line of five year old Merino ewes with 130% White Dorper cross lambs at foot sold for \$170/head.

The single pen of wethers which were autumn 2009 drops, February shorn sold to restockers for \$78/head.

MLA's NLRS

### Yardings and Merino ewe price



Source: MLA's NLRS

## Hide demand weaker

The hide market has come under some pressure due to softer overseas demand and weaker prices.

Tanners have begun to reduce their production levels during the typical seasonal downturn which normally occurs at this time of year.

MLA's NLRS

## Skins stable

The market was relatively stable, even though the A\$ climbed a few cents. Skin supply remains strong as lamb slaughter has not dropped away during July, and quality is again mixed. New season skins mainly from NSW are of good quality, but limited in number. Sheepskin rates were left unchanged.

MLA's NLRS

### Hide indicator (\$/hide)

MLA's NLRS

MLA's NLRS

	Green hides			w/e 16/7/10		
	141-180kg cwt			221-280kg cwt		
	TW	LW	LY	TW	LW	LY
Qld	17.25	17.50	3.55	26.50	26.75	5.69
NSW	19.25	19.50	7.04	30.25	31.00	11.58
Vic & SA - cow	18.00	18.33	6.96	30.17	30.50	12.50
Vic & SA - ylg, ox, hfr	22.17	22.33	10.09	35.83	36.17	16.71
	Tick free			Ticky		
	TW	LW	LY	TW	LW	LY
Weight	Brine cured hides (Qld)					
23-32kg/hide	45.00	45.00	15.50	28.00	28.00	11.00
32kg+/hide	55.00	55.00	21.50	42.00	42.00	15.25
	Wet blue hides (NSW, Vic & Qld)					
23-27kg/hide	64.00	64.73	34.75	38.50	39.00	25.00
27-31kg/hide	72.17	72.60	40.50	49.00	49.50	30.00

### Weekly saleyard quote

MLA's NLRS

## Inverell numbers dip

Inverell saleyards yarded the lowest number of cattle on record at a weekly Tuesday prime sale. Recent rainfall in the surrounding districts has been given some relief to local producers. However, runoff for stock water is still a problem around Bundarra, which has experienced a dry winter, having missed out on falls received in other parts of the Northern Tablelands. The larger numbers offloaded at the end of last year, when the season around Inverell was desperate, has also contributed to the present tighter supplies. The recent rain also assisted crops, which have meant less hand feeding is required than in recent winters.



### Grain feed prices (\$/tonne)

Darling Downs	TW	LW	LY
Wheat	219	219	250
Barley	227	227	230
Sorghum	192	192	190
Riverina			
Wheat	190	185	235
Barley	160	160	215
Sorghum*	240	240	263

\*includes freight

Source: Profarmer

### Eastern Market Wool Indicator (¢/kg)

AWEX E.M.I	TW	LW	LY
	nq	876	nq

Source: Australian Wool Exchange Ltd.

[www.awex.com.au](http://www.awex.com.au)

### Skin indicator (¢/skin)

MLA's NLRS

w/e 16/7/10				
Lambs		TW	LW	LY
2"+	16.1 - 20kg	856	856	375
	20.1 - 24kg	994	994	425
	24.1kg +	1100	1094	525
1"-2"	16.1 - 20kg	938	938	350
	20.1 - 24kg	1088	1075	450
	24.1kg +	1163	1163	550
0.5"-1"	16.1 - 20kg	738	738	200
	20.1 - 24kg	888	888	300
	24.1kg +	975	975	300
New season	16.1 - 20kg	1075	1050	nq
	20.1 - 24kg	1250	1225	nq
	24.1kg +	1350	1325	nq
Merino sheep (average 25 micron)				
1.5"-2"	16.1 - 20kg	900	900	250
	20.1 - 24kg	1150	1150	350
	24.1kg +	1250	1250	625

## Lamb exports to South Asia break records

**Australian lamb exports to South East Asia and Greater China during 2009-10 jumped 26% on the previous year, to a record 34,549 tonnes swt.**

Despite the continuing tight light lamb throughput, a surge in heavy export lambs, coupled with consistently strong demand from the region helped to underpinned shipments during the second half of 2009-10.

Demand for lamb breast and flap and rack cap from China continued to be the major driver for exports to South East Asia and Greater China during 2009-10. Breast and flap and rack cap shipments jumped 37% and 2% year-on-year, respectively, accounting for 55% and 14% of the total lamb trade to the region.

Exports of lamb shoulder to South East Asia and Greater China during 2009-10 bounced 37% year-on-year, mainly driven by demand in Malaysia, where the cut is served in foodservice or packed in modern retail outlets.

## US beef market steady but economy on uneven ground

The lean manufacturing beef market in the US this week remained relatively steady across imported and US domestic product, amid a cautious buying environment due to much market uncertainty. Both the importer 90CL indicator and the US domestic fresh 90CL indicator remained relatively unchanged on last week, at 155.5US¢/lb (CIF) and 166.5US¢/lb, respectively.

While there were expectations for the US economy to start its slow recovery, recent US unemployment figures suppressed all positive expectations for a strong recovery, with the US unemployment rate in June at 9.5% – unchanged on June last year, and a slight decline from May's 9.7%. Alongside this, the US GDP growth for the first quarter of this year was revised down from 3.2% to 2.7%, with calendar year figures now down to a range of 3% to 3.5%.

The sluggish economic growth in the US and high employment looks likely to continue to limit beef demand at both retail and foodservice for the rest of this year.

## Heatwave signals arrival of barbecue season in Japan

A series of heatwaves hit Japan this week, straight after the end of the rainy season. The Japanese trade now anticipates a lift in barbeque demand in the market – outdoor beer gardens with barbeque facilities typically operate at full swing until the end of summer (early to mid September).

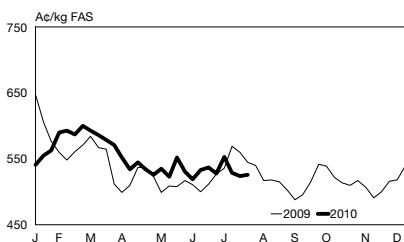
In the Japanese wholesale market, chilled Australian beef prices were mostly unchanged from last week, with the exception of tenderloin (down 5% to 2,050 yen/kg, but still 21% higher year-on-year), and cube roll (down 4% to 1,300 yen/kg, and 2% below last year), both grassfed. US chuck rib was in good demand, lifting 50 yen/kg up from last week to 1,225 yen/kg this week (choice grade).

Japanese buyers were not in a big hurry to secure chilled Australian products, despite the lower A\$ this week. Interest in frozen items was more immediate, with trimmings and briskets attracting good bids from Japan.

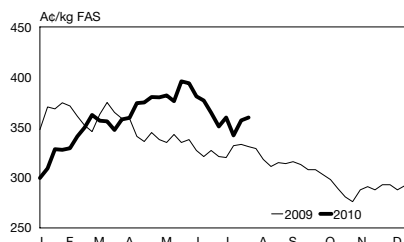
### Export price watch

Source: Australian trade, US trade

Japan grassfed fullset price



90CL cow price to US



## Korean enquiries yet to recover

Australian beef exports to Korea from 1 – 19 July totalled 7,585 tonnes swt with chilled beef making up 24% (DAFF). Beef trade with Korea has been firm this month, but Australian exporters have reported slowing enquiries in recent weeks.

Slow Korean consumer beef demand and strong supply has triggered wholesale prices for some imported beef cuts to fall.

Since the start of the FIFA World Cup last month, several Korean news sources continue to report on soaring chicken demand. The Korean Chicken Council expects consumption to hit 618 million chickens this calendar year compared with 564 million last year (Joong Ang Daily). A popular chicken dish is 'samgyetang' – a traditional Korean soup that is enjoyed during summer. Korean discount retailers E-Mart, Lotte Mat and Homeplus have also reported increased chicken sales year-on-year (Joong Ang Daily).

June marked the fifth consecutive month that total sales at discount retailers increased on last year. Groceries – making up 51.1% of all purchases – jumped 5% in the year to June (Yonhap). The Bank of Korea has also increased its gross domestic product (GDP) growth forecast from 5.2% to 5.9% – partially due to increased consumer spending (AP).

### Major demand indicators (Ae/kg FAS)

Japan	TW	LW	LY
Grassfed f/set	526	524	545
Shortfed f/set	593	605	618
Fore/hind blended	351	347	326
<b>US</b>			
Cow 90CL	360	357	331
Trim 85CL	336	331	306
Knuckles - steer	453	451	426

Source: Trade

### US lamb market

	w/e 22/7/10	TW	LW	LY
HRI leg (US¢/lb)	468	468	468	390
HRI rack (US¢/lb)	850	850	850	610
US lambs 55-65lb (US¢/lb dw)*	nq	nq	nq	nq
US sheep and lamb slaughter ('000 head)*	37	43	43	43

\*w/e 16/7/10  
Source: HRI Buyers Guide, USDA

### Exchange rate

Major currencies against the A\$	around 9am 22/7/10		
	TW	LW	LY
US dollar	0.876	0.880	0.818
Japanese yen	75.76	77.48	77.05
Korean won	1057	1059	1022
UK pound	0.577	0.577	0.496
Euro	0.686	0.691	0.574
NZ dollar	1.228	1.221	1.239
Indonesia rupiah	7942	7959	8216

Source: Infoscian

TW = This week, LW = Last week, LY = Last year

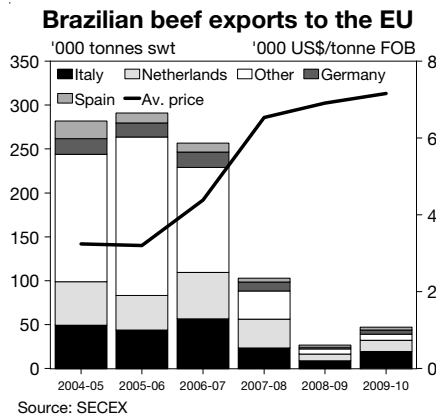
## EU to maintain restrictions on Brazilian beef

The EU is unlikely to change Brazilian beef import regulations, even after a recent visit by the Brazilian Minister of Agriculture to discuss the EU's stringent certification procedures, according to EU industry sources (*Valor Econômico*).

Since February 2008, Brazilian farms have been individually audited by Brazilian Ministry of Agriculture (MAPA) technicians and later approved by the EU – this initially decreased the number of approved properties from around 10,000 to only 100. Currently, this figure is close to 2,000 establishments.

The recent Minister's visit was intended to pass the approval responsibility to MAPA, but according to the EU Health and Consumer Commissioner, the ease in Brazilian product import controls faces strong pressure from EU producer organisations.

In addition, according to Brazilian producer associations, the number of certified establishments to the EU will increase proportionally as the EU certified steer price premium increases. The mark-up is currently only around 22-30A¢/kg, not large enough to encourage producers to join the system.



## Pork prices firm in China

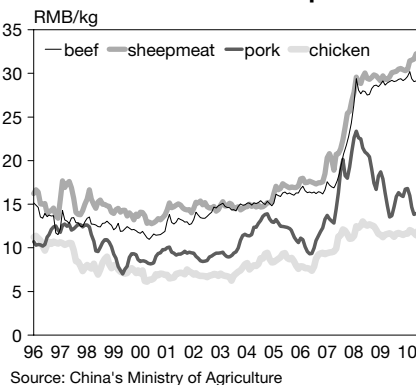
Pork prices at China's wholesale markets were firm in June compared with the previous month, and 3% higher on the same time last year, averaging 14.06RMB/kg (A\$2.43/kg). Contributing to the rise in pork prices in June was a 2% year-on-year fall in pig inventory, a 2% rise in live pig prices and the government's assistance in purchases and storage reserves of frozen pork.

According to the China's Ministry of Agriculture, sheepmeat prices (with a 4% rise in live sheep prices), continued to be at a record high, and the most expensive meat in China, averaging 31.91RMB/kg (A\$5.51/kg), up 6% from last June.

Despite a year-on-year fall in live cattle prices, wholesale beef prices in June remained unchanged from the same time last year, averaging 29.11RMB/kg (A\$5.03/kg). Live chicken prices dropped 8% during the same period, while retail prices for whole chicken remained 4% above June 2009, at 11.99RMB/kg (A\$2.07/kg).

At China's retail markets (wet markets) in June, prices followed a similar trend set by wholesale prices, with the value per kilogram for sheepmeat rising 7%, followed by pork (4%), beef (2%) and chicken (1%).

## China wholesale meat prices



## NZ lamb kill forecast revised down

The latest NZ lamb kill estimate for the 2009-10 season, which runs from October to September, is 21.5 million head, down 4.5% on the previous year, and two million below the December forecast (Beef+Lamb New Zealand Economic Service).

Reportedly, the key reason for the revision is the expansion of dairy herds at the expense of breeding ewe flocks. The official breeding ewe numbers released by Statistics NZ for 30 June 2009 were 22.17 million head, around 480,000 lower than the previous estimate, while the number of dairy cows was 140,000 head higher than estimated.

The reduced number of lambs is likely to support producer prices, although processors will face tougher market conditions. For Australia, this revision means that there is likely to be reduced competition from NZ in overseas markets.

The estimates for mutton sheep and beef cattle slaughter remain unchanged from the December forecasts of 3.6 million and 2.3 million head, respectively.

## US beef price indicators (US¢/lb)

	TW	LW	LY
90CL fresh	166.5	166.5	139.0
Chucks	169.0	169.0	142.0
Choice beef cutout	153.4	152.9	142.4
5 mkt fed steer (lwt)	93.6	93.2	83.5
CME feeder cattle (lwt)	112.1	112.7	101.2
Cutter cow carcass (lwt)	91.0	90.0	80.0

Source: Umer Bary, USDA

## Cattle slaughter ('000 head)

	TW	LW	LY
US - total	600	661	634
year to date	17,924	17,325	17,646
US - cows	101.4	114.6	110
year to date	3,377	3,276	3,240
Uruguay - total	35	33	44
year to date	1,340	1,305	1,286

Source: USDA, World Beef Report

## NZ livestock prices (A¢/kg)

	TW	LW	LY
Bulls 296-320kg	302	297	274
Cows 170-195kg	234	231	187
Steers 295-320kg	309	304	279

Source: Agri-Fax

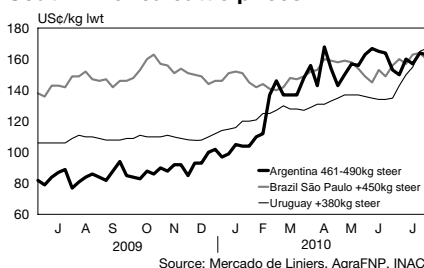
## NZ export lamb market

	TW	LW	LY
NZ chilled export leg to EU (FAS)	746	760	812
SI lamb 15kg dw	433	427	479

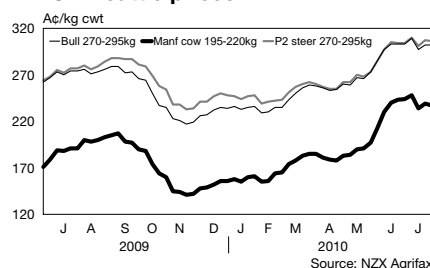
Source: Agri-Fax, AgBrief

## Competitor prices

### South America cattle prices



### NZ OTH cattle prices



TW = This week, LW = Last week, LY = Last year

**Average rainfall outlook into spring (continued from page 1)...**

For the week ahead, southerly winds are expected to bring rain, cooler temperatures and inland frosts to the east coast, while inland Australia and WA are forecast to be largely dry.

According to the Bureau of Meteorology's latest three month rainfall outlook, the chance of exceeding median rainfall between August and October lies between 40-60% (strongly neutral) for most of Australia. Exceptions are the NSW north coast which is forecast to be wetter, while parts of southern Victoria are forecast to receive below average falls.

Despite the average rainfall outlook for the next three months, forecasts continue to firm for 2010 to be classified as a La Niña weather year. La Niña is usually associated with wetter and colder weather, though this is not always the case.

**US eyes North Asia prize**

US beef shipments to Japan in 2010 continue to gather pace, with exports in May jumping 10%, to 13,250 tonnes cwt. US imports are currently restricted to beef from cattle less than 21 months of age. Since March, monthly US cattle placements into feedlots have been above year-ago levels, increasing the availability of eligible cattle for the Japanese market.

US beef exports to South Korea during May increased three fold on the same time last year, accounting for more than half the overall growth in total US exports during May. Beef shipments to South Korea in May totalled 12,899 tonnes cwt – the highest May shipment since the occurrence of BSE in the US in late 2003.

The growth in exports to north Asian markets so far in 2010 has been offset by falls to the US's largest beef export market, Mexico. US beef consignments to Mexico have declined for the fifth consecutive month, with exports in May down 14% year-on-year, to 18,017 tonnes cwt. High US cattle and beef prices and a stronger US\$ against the peso continue to impact on the US beef trade to Mexico.

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**Grain continues cheaper run in south**

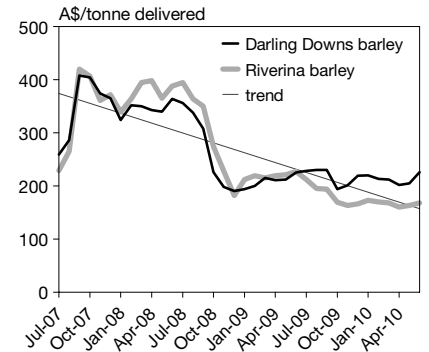
**Feed grain prices have been in decline since peaking in mid-2008, a symptom of the global recession, high global grain supplies and higher local supplies in comparison to feed demand.**

Although less volatile in recent months, prices in June averaged \$261/tonne for feed barley (delivered Sydney), \$219/tonne for wheat, and \$203/tonne for sorghum – around 18% cheaper than a year earlier and close to 45% cheaper than the corresponding period in 2008.

However, the combination of the improved seasonal conditions in south-east Australia and the poor northern summer harvest has resulted in a spread opening between northern and southern feed grain prices. Low summer plantings in response to weak prices, along with mid-harvest rain causing quality reductions, have resulted in a tight northern feed balance sheet, with prices responding accordingly.

In contrast, vastly improved yields in southern cropping regions on the back of a much better season has allowed for cheaper, plentiful grain. For the month of June, feed wheat was around \$40/tonne, or 23% more expensive in the Darling Downs than the Riverina, while feed barley was around \$58/tonne, or 35% dearer (Profarmer).

**Northern vs. southern grain prices**



Source: Profarmer

**Australian foodservice on healthy growth**

The Australian foodservice market was valued at A\$38.9 billion in 2009, growth of 8.1%, after the minimal 0.5% growth in 2008, according to the latest MLA Australian foodservice tracking survey and ABS statistics. Taking into account an average 3.5% increase in foodservice prices, Australian foodservice sales increased 4.6% in real terms in 2009 – 3% above the annual average real historical growth since 2001.

While the strongest growth in 2009 was in takeaway foodservice outlets (+15.8%), there has been a turnaround among cafes & restaurants (-3.8% in 2008 to +5.8% in 2009).

Factors contributing to the growth include the return to buoyancy in household incomes and assets, historically low interest rates, healthy employment levels, government stimulus spending and the stabilisation of financial markets.

ABS turnover data indicates foodservice growth during January to April 2010 slowed from December 2009, although it remained above the same period last year. According to the MLA Australian foodservice tracking survey conducted in May, poultry continued to be the most served meat in foodservice outlets (83.5kg/outlet per week), followed by beef (73.7kg/outlet per week), lamb (31.5kg/outlet) and pork (27.8kg/outlet).

The Australian foodservice survey during May 2010 involved 431 telephone interviews across hotels/motels, restaurants, pubs/clubs, fast food chains and independent fast food outlets in Sydney, Melbourne and Brisbane/Gold Coast.

Around 55% of foodservice operators in this survey described themselves as 'doing OK', followed with 27% 'thriving' and 16% reportedly 'slow or struggling'. The overall results showed only minor changes compared with the November 2009 survey, but were better than May last year, when the economy was in the depth of the global financial crisis.

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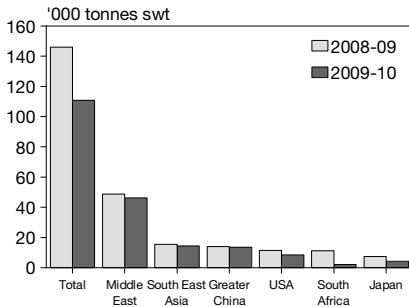
## 2009-10 mutton exports slip with production

Australian mutton exports for the 2009-10 financial year dropped 24% on the previous year, to 110,934 tonnes swt, on the back of a large fall in production (Department of Agriculture, Forestry and Fisheries). As total exports fell, there was redistribution among markets, with high prices affecting consumers' purchasing decisions.

With slaughter and production figures at their lowest in years, 2009-10 was destined to be a slow year for mutton exports, and this was reflected by a fall in shipments to all major mutton markets. The only regions to come close to maintaining the same export figures were the three largest – the Middle East (down 5% to 46,202 tonnes swt), South East Asia (down 6% to 14,502 tonnes) and Greater China (down 3% to 13,564 tonnes). These were also the regions least affected by the global financial crisis, allowing consumers to maintain demand despite higher prices.

Other major markets, including the US (back 26% to 8,475 tonnes swt) and Japan (42% to 4,260 tonnes) were clearly affected by the overall supply situation. Mutton exports to South Africa plummeted 82% to 2,032 tonnes in 2009-10 as consumers were simply unwilling or unable to meet the high prices asked.

**Australian mutton exports**



Source: DAFF

## Green Brazil

The Brazilian Ministry of Agriculture has launched its Low Carbon Agriculture program (ABC), which will support sustainable farm practices, the recovery of degraded land and the integration of cropping, livestock production and forestry.

The program, which is budgeted at A\$1.3 billion during the first 12 month period, is part of the Brazilian government's strategy to recover 15 million hectares of degraded pastures and achieve a 39% reduction in carbon equivalent gas emissions by 2020 (Scot Consultoria).

## Price premium for MSA beef in 2009-10

The average price premiums for butchers and wholesalers selling MSA beef during 2009-10 were steady compared with the previous year, according to data collected by Millward Brown's National Field Services.

The firm price premium, an increasing proportion of butchers (37%) and wholesalers (88%) selling MSA graded beef and a 27% jump in the number of MSA graded cattle (to 1.25 million head) indicates strong demand for MSA beef during 2009-10. The growing momentum of the MSA grading program continued in 2009-10, with the majority of beef processors applying MSA as the minimum standard to underpin the eating quality of some or all of their brands.

**National Prices - Retail butcher - Fiscal Year average (\$/kg)**

Respondents	2009-10			2008-09		
	Non-MSA	MSA	Premium	Non-MSA	MSA	Premium
beef rib eye/cube roll	27.51	30.53	11%	26.39	29.63	12%
beef round/knuckle	14.44	15.14	5%	13.72	14.58	6%
beef sirloin steak	25.67	28.00	9%	24.74	27.05	9%
beef T-bone steak	20.13	21.59	7%	19.45	21.28	9%
beef rump steak	20.11	21.34	6%	19.59	20.61	5%
butt fillet	33.69	36.56	9%	32.22	35.74	11%

Source: Millward Brown's NFS

Over the 12 months to June, the wholesale price for MSA-graded grainfed yearling cuts was 14% higher than the non-MSA equivalents and MSA yearling grassfed prices were 16% higher than the non-MSA cuts.

At retail, the price charged for MSA graded steaks was, on average, 7.5% higher than non-MSA steaks in 2009-10 – compared with an 8% premium in 2008-09.

## Australia continues to dominate Korean beef market

Korean imports of Australian beef over the January to June period increased 8% year-on-year, to 65,002 tonnes swt. Chilled and frozen beef imported from Australia increased 23% and 4%, respectively, this year. Australian beef continues to be dominant in the imported Korean beef market – supplying 78% and 47% of all imported chilled and frozen beef cuts, respectively.

Over the period, total Korean beef imports lifted 21% to 124,668 tonnes swt compared with last year. So far, beef imports have surpassed last year's monthly totals – assisted by subdued domestic cattle slaughter.

Beef imported from the US in the year to date increased 57% on last year to 37,591 tonnes swt. Beef from the US into Korea consists of 90% frozen (mainly barbecue) products. New Zealand volumes increased 17% from January to June, to 20,555 tonnes swt – with frozen beef accounting for 97.5% of total shipments.

## Japanese cattle farm numbers in decline

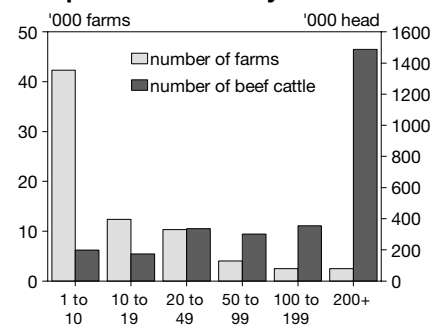
The Japanese beef cattle herd decline slightly in 2010, while average beef cattle numbers per farm increased due to a reduction in the number of farming households.

According to data released by Japan's Ministry of Agriculture, Forestry and Fisheries, there were 2.89 million head of beef cattle as of 1 February 2010, down 1% from last year. Kyushu (southern island of Japan) remained the largest region for beef cattle in Japan at 1.06 million head (mostly Japanese black Wagyu), followed by Hokkaido (northern island of Japan) at 0.54 million head (combination of Wagyu, F1 and dairy beef cattle).

Farm numbers continued to decline, largely due to the aging farming population and the industry consolidation. As a result, 74,400 farms (down 4% year-on-year) had an average 39 animals/farm in 2010 (one animal more than the previous year). In reality, over 52% of the total herd was fed by larger beef cattle operations, with more than 200 animals – only 3% of total farms.

The figures were taken prior to the foot-and-mouth outbreak in Japan (April 2010).

**Japan beef farms by herd size**



Source: MAFF

## Domestic Indicators

TW = This week, LW = Last week, LY = Last year

Category definitions are as per tables on front page.

### Over the hooks cattle indicators (¢/kg cwt) MLA's NLRS

	Qld*			NSW			Vic			SA			WA			Tas		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Trade steer**	309	307	299	317	316	304	320	320	350	310	310	310	323	323	354	350	350	320
Medium steer	306	304	298	308	306	304	330	330	320	nq	nq	nq	259	259	261	320	320	295
Japan ox	318	316	299	316	314	305	333	332	318	nq	nq	nq	259	259	261	320	320	295
US cow	248	245	234	243	241	249	266	266	259	250	250	260	nq	nq	nq	275	275	250
EU steers	nq	nq	305	355	355	328	nq	nq	nq	nq	nq	nq	259	259	261	nq	nq	nq

\* Qld quotes are for Southern Queensland only

\*\* New OTH weight changes on trade steers (see note below)

### Saleyard cattle indicators MLA's NLRS

	Qld			NSW			Vic			SA			WA			Tas		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Trade steer (¢/kg lwt)	170	177	179	199	195	187	189	179	194	187	180	191	nq	nq	nq	178	179	176
(¢/kg cwt)	325	348	347	372	364	346	350	334	357	337	320	338	nq	nq	nq	331	331	325
Medium steer (¢/kg lwt)	174	163	173	174	171	172	178	172	182	181	181	188	160	nq	nq	169	nq	169
(¢/kg cwt)	330	320	325	326	319	317	335	329	338	332	335	345	291	nq	nq	325	nq	316
Japan ox (¢/kg lwt)	174	173	177	182	174	178	184	179	192	195	nq	nq	nq	nq	nq	176	174	173
(¢/kg cwt)	318	313	320	330	321	324	339	331	351	349	nq	nq	nq	nq	nq	316	321	320
US cow (¢/kg lwt)	129	127	129	141	134	128	147	144	139	147	135	138	119	122	121	nq	nq	116
(¢/kg cwt)	262	257	266	287	278	267	304	299	287	312	288	292	234	242	238	nq	nq	241
Feeder steer (¢/kg lwt)	188	182	180	196	192	187	184	183	186	186	182	178	164	158	163	nq	nq	nq

### Over the hooks sheep and lamb indicators (¢/kg cwt) MLA's NLRS

	Vic			NSW			SA			WA			Tas			Qld		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Light trade lamb	512	519	503	493	495	500	520	520	505	491	491	480	470	470	480	470	475	460
Heavy trade lamb	510	519	503	491	494	498	520	520	505	491	491	480	470	470	480	470	475	465
Heavy lamb	500	513	503	481	483	490	505	505	505	488	488	477	470	470	485	470	475	455
Mutton	388	388	284	368	368	283	365	365	290	303	303	178	320	320	285	365	365	nq

### Saleyard sheep and lamb indicators (¢/kg cwt) MLA's NLRS

	Vic			NSW			SA			WA			Tas		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Restocker/feeder (\$/head)	79	82	62	76	81	69	76	80	64	69	69	51	nq	nq	76
Merino lamb (¢/kg cwt)	439	429	393	442	442	407	419	435	404	565	552	512	nq	nq	nq
Light lamb (¢/kg cwt)	438	455	416	451	424	401	444	436	407	533	498	444	485	493	469
Trade lamb (¢/kg cwt)	493	520	496	506	504	477	505	503	502	558	544	572	465	482	451
Heavy lamb (¢/kg cwt)	496	505	526	490	494	475	507	504	504	544	517	582	481	480	464
Mutton (¢/kg cwt)	434	430	333	407	435	330	380	376	296	398	393	270	nq	346	277

### Over the hooks pig indicators (¢/kg cwt) MLA's NLRS

	NSW			Qld			Vic			SA			WA			Tas		
	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY	TW	LW	LY
Pork DF 45 - 60kg	328	328	364	285	290	353	272	276	379	323	323	360	299	299	308	nq	nq	nq
Bacon GI 60 - 75kg	269	269	328	240	240	309	238	244	329	247	247	313	284	284	293	nq	nq	nq
Backfatter sows 90kg+	121	121	181	98	98	161	130	122	204	116	116	215	79	79	79	nq	nq	nq

### Live export price quotes (¢/kg lwt)

		TW	LW	LY
Light steers (280 - 400 kg)	Darwin	195	195	160
	Fremantle	nq	nq	nq
Heavy steers (400+ kg)	Darwin	nq	nq	155
	Fremantle	nq	nq	nq
Export wethers (A\$/head)	Muchea*	121	108	99

\*LY - Midland sale

Source: MLA's NLRS, Landmark

### Tallow (\$/t, delivered in store)

	TW	LW	LY
Prime - Melbourne	735	725	680
Prime - Brisbane	735	725	680
Bleachable fancy	690	680	590

### Feeder cattle indicators (A¢/kg lwt)

		w/e 16/7/10		
		TW	LW	LY
Domestic	Paddock sales			
	Steers 280-350kg	186	188	183
	Heifers 280-350kg	175	177	171
Export	Shortfed 100-120 DOF	186	184	179
	Mediumfed 120-220 DOF	198	200	189
	Longfed 220+ DOF	208	206	203

NOTE: Feeder cattle prices are for cattle purchased for direct entry into feedlots.

## Japan market

TW = This week, LW = Last week, LY = Last year

### Imported beef price in Kanto wholesale market

¥/kg spot, US¢/lb C&F*	TW	LW	LY	
<b>From Australia chilled</b>				
grassfed	¥/kg	735	735	695
fullset	US¢/lb	259	255	224
shortfed	¥/kg	845	850	810
fullset	US¢/lb	300	296	263
midfed	¥/kg	1010	1010	965
fullset	US¢/lb	361	354	316
longfed	¥/kg	1240	1240	1245
fullset	US¢/lb	445	437	410
grassfed navel	¥/kg	605	605	675
end brisket	US¢/lb	211	208	218
grassfed	¥/kg	605	605	595
chuck roll	US¢/lb	211	208	191
shortfed navel	¥/kg	640	655	900
end brisket	US¢/lb	224	226	294
shortfed	¥/kg	715	740	715
chuck roll	US¢/lb	252	256	231
<b>Frozen</b>				
brisket	¥/kg	510	510	nq
	US¢/lb	181	177	nq
chuck/blade	¥/kg	550	550	nq
	US¢/lb	195	192	nq
cow meat (85CL)	¥/kg	460	460	nq
	US¢/lb	162	159	nq
<b>From US chilled</b>				
chuck rib	¥/kg	1225	1175	1250
	US¢/lb	440	414	412
short rib	¥/kg	2300	2300	2150
	US¢/lb	836	821	716
steak ready	¥/kg	2075	2075	2175
	US¢/lb	753	739	725
<b>Frozen</b>				
chuck roll	¥/kg	nq	nq	nq
	US¢/lb	nq	nq	nq
short plate	¥/kg	625	645	nq
	US¢/lb	223	226	nq

Source: Chikusan Nippo

### Imported offal prices in Kansai wholesale offal market

¥/kg spot, US¢/lb C&F*	TW	LW	LY	
<b>From Australia frozen</b>				
tongue	¥/kg	nq	1025	1375
(swiss cut)	US¢/lb	nq	445	561
thick skirt	¥/kg	nq	500	420
	US¢/lb	nq	213	165
thin skirt	¥/kg	nq	510	405
	US¢/lb	nq	217	159
mountain	¥/kg	nq	575	625
chain tripe	US¢/lb	nq	277	282
<b>From Chile frozen</b>				
tongue	¥/kg	nq	nq	nq
(swiss cut)	US¢/lb	nq	nq	nq
<b>From Mexico frozen</b>				
tongue	¥/kg	nq	1025	1375
(swiss cut)	US¢/lb	nq	445	561
<b>From US frozen</b>				
mountain	¥/kg	nq	nq	nq
chain tripe	US¢/lb	nq	nq	nq

Source: Shokuniku Sokuho

Prices are indicator only

\* Export price equivalent (C&F) after removing from the wholesale price import tariffs, indicative landing charges, marine insurance and other import costs (converted into US¢/lb).

# Australian export prices to Japan are converted from US¢/lb C&F to Ac/kg FAS terms using the \$A/\$US exchange rate, converting from lbs to kgs and calculating the average freight rate to Tokyo Port (chilled = Ac40/kg; frozen = Ac30/kg). Values are market indicator only based on MLA survey with Australian trade.

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### Beef export prices to Japan

Ac/kg FAS, US¢/lb C&F#	TW	LW	LY	
<b>Chilled</b>				
grassfed fullset	US¢/lb	225	225	217
	Ac/kg	526	524	545
shortfed fullset	US¢/lb	252	258	244
	Ac/kg	593	605	618
<b>Frozen</b>				
chuck/blade	US¢/lb	170	170	155
	Ac/kg	398	396	388
thick flank	US¢/lb	190	190	180
	Ac/kg	448	446	455
fore/hind	US¢/lb	152	151	132
blended	Ac/kg	351	347	326
topside	US¢/lb	190	190	183
	Ac/kg	448	446	462
silverside	US¢/lb	175	173	164
	Ac/kg	410	402	412
brisket	US¢/lb	158	158	170
	Ac/kg	366	365	428

Source: Australian trade

### Domestic beef carcass prices – Tokyo

Steer	¥/kg	TW	LW	LY
Wagyu (A5)		2032	2129	2103
Dairy (B3)		nq	nq	nq
F1 (B3)		1133	1122	1119
Dairy (B2)		nq	nq	nq
F1 (B2)		1011	922	891

Source: Shokuniku Sokuho

## Korea market

### Korean wholesale prices

won/kg	TW	LW	LY
<b>Korean domestic wholesale*</b>			
Hanwoo carcass	16030	16085	15769
dairy steer	9813	10246	8292
pig carcass	4738	4790	4678
<b>Australian wholesale</b>			
brisket deckle off	6000	6000	6400
rump	nq	nq	7500
chuck roll	nq	7100	6400
short rib	nq	nq	7500
<b>US wholesale</b>			
grainfed chuck roll	6400	6500	6500
grainfed short rib	nq	12000	8200

\* w/e 17/7/10

Source: Korean trade press, Korean trade

## US domestic/export markets

### Beef export prices to the US

US¢/lb CIF, Ac/kg FAS	TW	LW	LY	
<b>Frozen</b>				
Bull 95CL	US¢/lb	165.5	165.0	145.8
	Ac/kg	384.7	381.9	360.7
Cow 90CL	US¢/lb	155.5	155.0	134.5
	Ac/kg	359.7	356.9	330.5
CC/CF 85CL	US¢/lb	146.5	145.0	126.5
	Ac/kg	337.1	331.9	309.0
Shank 90CL	US¢/lb	152.5	153.0	133.5
	Ac/kg	352.1	351.9	327.8
Trim 85CL	US¢/lb	146.0	144.5	125.5
	Ac/kg	335.8	330.7	306.3
Trim 80CL	US¢/lb	139.5	139.5	113.0
	Ac/kg	319.5	318.2	272.7
Trim 75CL	US¢/lb	126.5	127.5	106.5
	Ac/kg	286.9	288.2	255.2
Trim 65CL	US¢/lb	113.5	113.5	87.0
	Ac/kg	254.3	253.3	202.8
Chucks 85CL	US¢/lb	nq	nq	nq
	Ac/kg	nq	nq	nq
Outside flats	US¢/lb	nq	nq	149.5
- steer	Ac/kg	nq	nq	370.8
Knuckles	US¢/lb	192.5	192.5	170.0
- steer	Ac/kg	452.5	450.6	425.9
Inside cap off	US¢/lb	217.5	217.5	180.5
	Ac/kg	515.2	513.0	454.1

Source: Steiner Consulting Group

### US cattle futures

US¢/lb lwt	Contract	TW	LW
Live cattle	Feb-11	97.68	96.88
	Apr-11	99.28	98.53
	Jun-11	95.63	94.90
	Aug-10	93.33	92.40
	Oct-10	94.40	93.58
	Dec-10	96.48	95.70
Feeder cattle	Jan-11	112.50	111.25
	Mar-11	111.05	109.95
	Apr-11	110.90	110.00
	May-11	110.30	109.50
	Aug-10	114.90	113.38
	Sep-10	114.75	113.43
Oct-10	114.88	113.18	
Nov-10	114.55	113.00	

Source: CME

### US domestic prices

Boneless beef US¢/lb - Fresh	TW	LW	LY
90CL	166.5	166.5	139.0
85CL	155.0	155.5	129.8
75CL	127.0	127.0	114.0
50CL	76.5	77.0	72.5
2pc b/less chuck insides	169.0	169.0	142.0
	220.0	220.0	175.0
outsides	163.5	156.5	145.5
knuckles	170.0	170.0	155.0

Source: Umer Barry

Australian export prices to the US are converted from CIF to FAS terms by calculating an average shipping rate to the Port of Philadelphia (freight plus surcharges for a 20ft reefer), insurance, the A\$/US\$ exchange rate and the conversion from lbs to kgs.

CL = Chemical Lean – lean meat as a % of total meat.