



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume 21, Issue 32

July 31, 2020

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

Market Highlights for the Week:

- US beef imports for the week ending July 25 were almost 30,000 MT, up 34% from a year ago and the highest weekly imports in several years.
- Big shipments from Australia, New Zealand, Central and South America in June is driving the current surge in imports. New Zealand shipments to the US in June were up 82% from a year ago while shipments to China for the month declined 46%.
- Brazil also shipped 3000 MT of beef to the US in June, adding to the supply of imported beef available in July.
- US cow slaughter in the four weeks ending June 20 was about 0.5% lower than a year ago despite a 9% increase in beef cow slaughter during this period.
- US dairy prices have made a dramatic turnaround, with cheese prices now up 170% compared to April. US cheddar now commands a 58% premium to NZ product. US government food box buying program allocated some \$3 billion, with a significant share going to purchases of dairy commodities in a compressed time frame. Program comes to an end October 31.

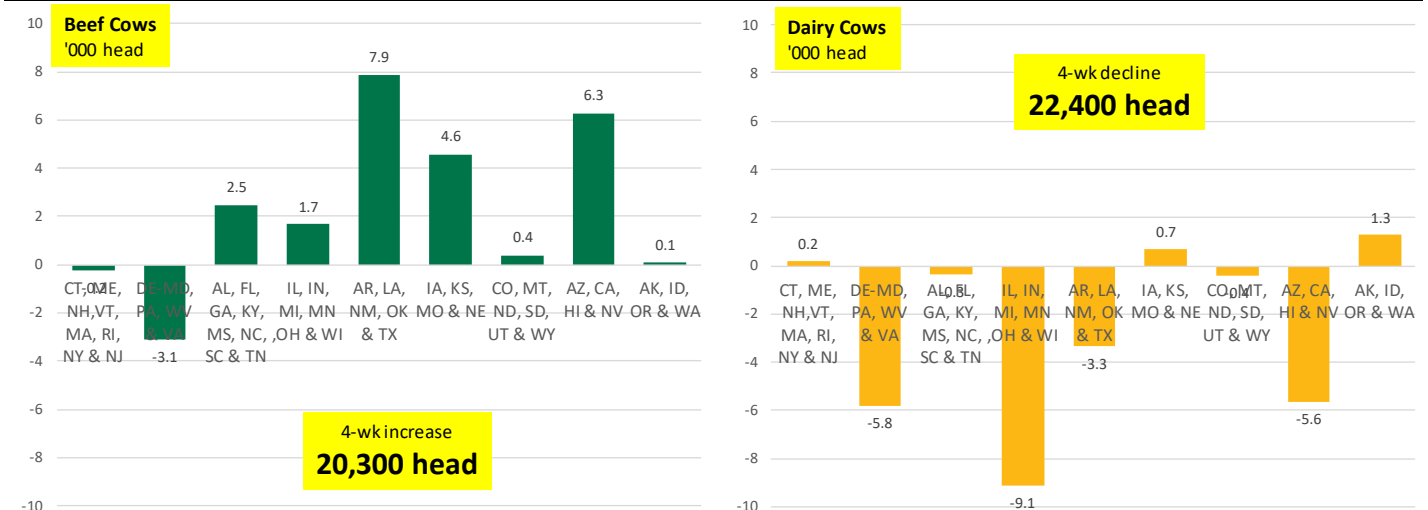
Imported Market Activity for the Week

US market for imported beef was generally steady this week although there was some variability in prices/quotes during the course of the last few days. Market started on a softer tone early last week but asking prices firmed up. Market participants noted that by the end of the week prices for lean and extra lean product had advanced about 2 cents from where they started. When it was all said and done prices were little changed from where they were quoted the week prior. Supply

availability, especially from Central and South American suppliers, appears to be very good and it is adding to the supply of Australia/New Zealand product that is also entering the market at this time. Normally New Zealand offerings slow down during this time of year corresponding to the decline in slaughter in July, August and September. However, New Zealand increased its shipments to the US in May and June and so did Australia. That supply is now entering the market, helping shore up prices in the spot market. New Zealand shipments of fresh/frozen beef to the US market in

Increase/Decrease in Cow Slaughter Numbers by Region. '000 Head

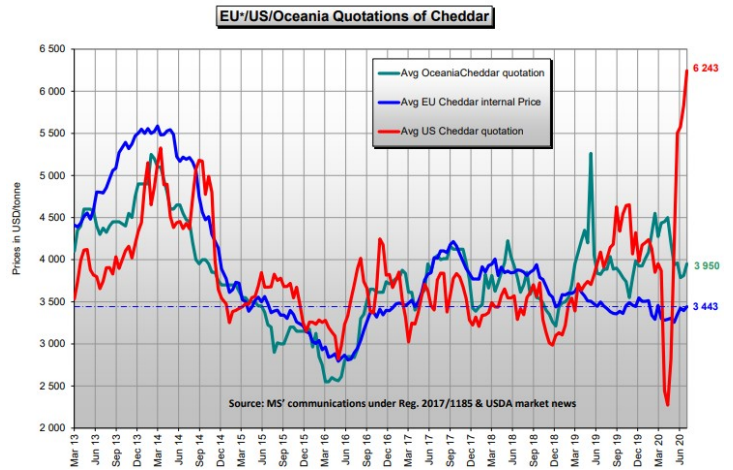
Data source: USDA-NASS. Analysis by Steiner Consulting



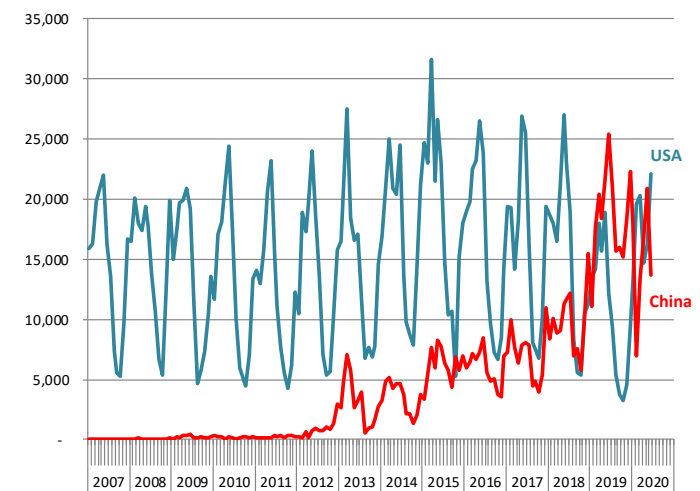
June were 22,081 MT, up almost 10,000 MT or 82% from the same period a year ago. Exports to China have been erratic but they have slowed down considerably compared to last year. June shipments to China were 13,649, down 11,800 MT or 46% from a year ago. The increase in exports to the US in June has bolstered entries of New Zealand product in the last couple of weeks. For the week ending July 25, USDA pegged entries of New Zealand product at 7,263 MT vs. 3,332 MT for the same week a year ago. Shipments from Australia to the US market in June were 26,261 MT, up 30% from a year ago. We think July shipments will be a little under 24,000 MT, near the same level we saw a year ago. Very strong prices for lean grinding beef in the US in May and June clearly pulled more product in the US. At the same time, imports from Brazil have started to increase as well. In the latest reported week, USDA pegged Brazilian imports at 750 MT. This is consistent with Brazilian export data which showed June shipments to the US were about 3000 MT. Expectations are for volume to continue to increase given the big spread between Brazilian and Oceania grinding beef values, the still very weak Real and uncertainty in shipping product to China. In total, USDA reported that total beef imports for the week ending July 25 were estimated at 29,861 MT, 34% higher than the previous year.

US cow slaughter update

Cow slaughter in the US is reported with a two week lag as USDA collects information from inspectors working at individual plants around the country. The latest data is for the week ending July 20, showing total beef and dairy cow slaughter for the week was 114,500 head, 3.4% lower than the same week a year ago. In the last four reported weeks, which includes a holiday shortened week, total slaughter was 455,700 head, down 0.5% from a year ago. The decline in cow slaughter may come as a surprise to those looking at some of the dry conditions that have developed in the Texas Panhandle and Western Kansas. But even as this region accounts for a large share of the US beef cow herd and thus slaughter, it is important to remember that cows are widely distributed around the country. Furthermore, dairy cow slaughter is a very important component of total cow slaughter. In recent weeks, the decline in dairy cow slaughter has more than offset the increase in beef cow slaughter in regions experiencing drought stress.

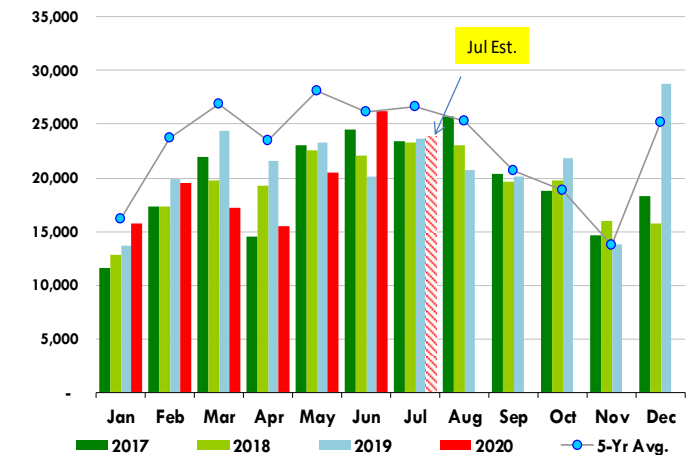


Exports of New Zealand Beef to USA and China, Metric ton. SW.
Data Source: Stats NZ. Analysis by Steiner Consulting



AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

Monthly Exports, Metric Ton. Source: DAFF + Steiner Projections for Latest Month



The charts on page 1 illustrate the y/y change of cow slaughter by region. In the last four weeks, US beef cow slaughter has increased by 20,300 head or 9% compared to the same period a year ago. However, dairy cow slaughter for the comparable period was down 22,400 head or 10% from a year ago. Not surprisingly, beef cow slaughter in

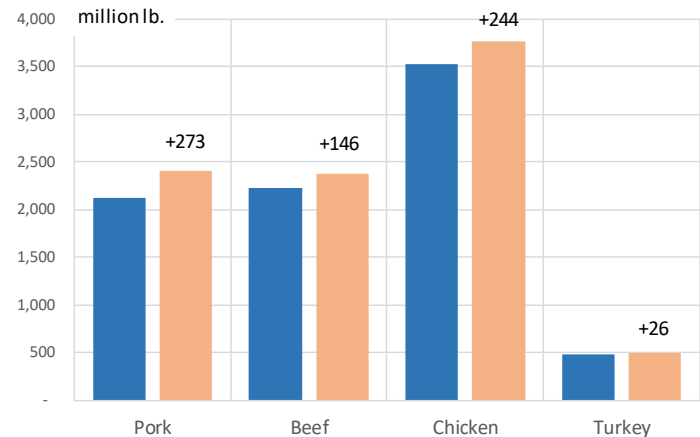
region 6, which includes Texas and Oklahoma, was up 7,900 head or 15% compared to a year ago. Beef cow slaughter in region 9, which includes drought affected Arizona and California, was up 6,300 head or 46% from a year ago. California has more dairy cows than beef cows, however and dairy cow slaughter in the region is more a function of dairy prices than drought. During the reference period, dairy cow slaughter in region 9 was a total of 46,000 head, down 5,600 head or 11% from a year ago. Indeed, dairy cow slaughter is down across most regions as excellent milk/cheese prices have once again brought a margin back in the business. Milk prices are now about double what they were in late April and early May. **US cheddar prices have also jumped 170% during this period and they now command a 58% over New Zealand cheddar and an even bigger premium over EU product (see chart on page 2).** Cuts in production implemented in May and, more importantly, the US government food box program have resulted in tight spot cheese supplies and higher prices. The food box program was especially important given the sheer size and compressed time frame of the food purchases. Some \$3 billion were allocated to purchase boxes of food that would be distributed to low income families. Boxes had to be small enough so they could go from a truck directly into a consumer trunk, reducing distribution costs. The program will come to an end in the next month or so, at which time cheese and dairy prices could come under some pressure. **The risk to grinding beef supplies/prices is that a potential decline in dairy prices, and thus higher cull rate, will coincide with the normal fall cow run, adding to the supply of grinding beef available this fall.**

US protein supplies recover

June production statistics for all the four main species were recently updated by USDA and, as the chart to the right illustrates, meat output has fully recovered. Production was up for all four main species and retailers have plenty of protein available to fill the meat case. Combined beef, pork, chicken and turkey production last month was estimated at 9.046 billion pounds (carcass wt. and ready to cook wt), 689 million pounds or 8.2% higher than the previous year. There were two more production days than a year ago in June, which also helped bolster production. In July the number of production days will be the same, which

June Production for the Four Main Species. CWE and RTC Basis.

Source: USDA-NASS. Analysis by Steiner Consulting



should offer a better comparison base. Still, we expect July output to surpass last year's levels as well, with pork once again leading the pack in terms of supply growth. Pork wholesale values have come under some pressure recently but the decline becomes more understandable when considering that pork production last month jumped 12.8%. Even when we adjust for the additional marketing days, production was up 2.6% from a year ago.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	30-Jul-20	23-Jul-20		1-Aug-19	
CME FEEDER CATTLE INDEX	138.58	137.96	0.4%	141.74	-2.2%
	31-Jul-20	24-Jul-20		2-Aug-19	
FED STEER (5-MKT AVG)	98.78	97.29	1.5%	113.92	-13.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	129.00	122.00	5.7%	99.50	29.6%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	126.50	129.50	-2.3%	105.00	20.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	109.50	109.50	0.0%	102.50	6.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	184.53	188.07	-1.9%	173.65	6.3%

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
	31-Jul-20	24-Jul-20	24-Jul-20	24-Jul-20		2-Aug-19	2-Aug-19	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	240.0	242.0	242.0	243.0	-1.0	241.0	244.0	-2.0
90 CL Blended Cow	220.0	221.0	220.0	221.0	0.0	220.0	221.0	0.0
90 CL Shank		222.0	221.0	222.0	0.0		224.0	-2.0
85 CL Fores	200.0	201.0	200.0	201.0	0.0	203.0	205.0	-4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	238.0	240.0	241.0	242.0	-2.0	240.0	243.0	-3.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	199.0	200.0	198.0	200.0	0.0	201.0	203.0	-3.0
80 CL Trimmings	190.0	191.0	191.0	192.0	-1.0	194.0	195.0	-4.0
75 CL Trimmings	180.0	183.0	179.0	180.0	3.0	185.0	186.0	-3.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	295.0	300.0	290.0	300.0	0.0	280.0	285.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A		UNQ	N/A
Steer Knuckles		UNQ		UNQ	N/A	255.0	260.0	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
	31-Jul-20	24-Jul-20	24-Jul-20	24-Jul-20		2-Aug-19	2-Aug-19	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	254.0	255.0	253.0	254.0	1.0	246.0	247.0	8.0
90 CL Blended Cow	229.0	230.0	230.0	231.0	-1.0	224.0	226.0	4.0
90 CL Shank		232.0	230.0	233.0	-1.0	225.0	228.0	4.0
85 CL Fores	211.0	212.0	212.0	213.0	-1.0	207.0	208.0	4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	252.0	253.0	251.0	254.0	-1.0	246.0	247.0	6.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	210.0	211.0	210.0	212.0	-1.0	207.0	208.0	3.0
80 CL Trimmings		206.0	205.0	206.0	0.0	200.0	201.0	5.0
75 CL Trimmings	191.0	192.0	194.0	195.0	-3.0	193.0	194.0	-2.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides		310.0	310.0	315.0	-5.0	290.0	295.0	15.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	255.0	260.0	255.0	260.0	0.0		UNQ	N/A
Steer Knuckles		300.0		300.0	0.0	255.0	260.0	40.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low High Wt.Avg	
	31-Jul-20			24-Jul-20				2-Aug-19	
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low High Wt.Avg	
<u>Domestic Cutouts</u>									
Choice Cutout	203.26			201.77			1.5	214.73	-11.5
Select Cutout	189.89			190.63			-0.7	190.63	-0.7
<u>Domestic Lean Grinding Beef</u>									
90 CL Boneless	216.0	251.0	235.9	234.0	256.0	238.2	-2.3	219.0 226.0 221.5	14.4
85 CL Beef Trimmings	176.0	217.0	203.2	202.1	220.0	209.8	-6.7	193.0 211.3 196.9	6.3
50 CL Beef Trim	44.0	68.5	60.1	45.0	65.0	54.1	6.1	52.0 86.4 76.9	-16.8
<u>Domestic Pork Trim</u>									
42 CL Pork Trim	32.4	63.5	36.5	34.0	62.5	40.3	-3.8	69.1 94.5 77.9	-41.4
72 CL Pork Trim	81.0	118.8	91.2	79.0	110.0	89.0	2.2	75.8 120.8 82.6	8.6
<u>Point of Lean Values</u>									
90 CL Domestic	262.1			264.6			-2.5	246.1	16.0
50 CL Beef Trimming	120.3			108.1			12.1	153.8	-33.6
42 CL Pork Trim	86.9			95.9			-9.0	185.5	-98.6
72 CL Pork Trim	126.7			123.6			3.1	114.7	12.0
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>	98.78			97.29			1.5	113.92	-15.1

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last</i>		<i>Last Year</i>	<i>Change From</i>	
			<i>Week</i>			<i>Last Year</i>	
	31-Jul-20	24-Jul-20			2-Aug-19		
<u>Live Cattle Futures</u>							
August '20	102.825	101.325	↑	1.50	107.650	↓	-4.83
October '20	107.875	105.100	↑	2.78	107.825	↑	0.05
December '20	111.550	109.325	↑	2.22	111.775	↓	-0.23
February '21	114.550	112.450	↑	2.10	115.450	↓	-0.90
<u>Feeder Cattle Futures</u>							
August '20	144.675	142.050	↑	2.63	139.625	↑	5.05
September '20	146.225	142.750	↑	3.47	138.225	↑	8.00
November '20	146.825	142.675	↑	4.15	138.425	↑	8.40
January '21	144.600	141.025	↑	3.57	137.075	↑	7.53
<u>Corn Futures</u>							
September '20	316.000	326.250	↓	-10.25	399.500	↓	-83.50
December '20	327.000	335.000	↓	-8.00	409.500	↓	-82.50
March '20	338.250	346.000	↓	-7.75	420.500	↓	-82.25
May '20	346.000	353.000	↓	-7.00	426.500	↓	-80.50
<u>Ch Wheat Futures</u>							
September '20	531 1/4	539 1/2	↓	-8.25	490 3/4	↑	40.50
December '20	538 3/4	545 1/4	↓	-6.50	491 1/2	↑	47.25
March '20	545 3/4	551	↓	-5.25	500 1/2	↑	45.25
May '20	549 3/4	554	↓	-4.25	506	↑	43.75
<u>Slaughter Information</u>							
	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last</i>		<i>7 Days Ending</i>	<i>Change From</i>	
	31-Jul-20	24-Jul-20	<i>Week</i>		2-Aug-19	<i>Last Year</i>	
Total Cattle Slaughter	638,000	646,000	↓	-8,000	633,000	↑	5,000
Total Cow Slaughter	18-Jul-20	11-Jul-20			20-Jul-19		
Total Cow Slaughter	114,549	113,593	↑	956	118,522	↓	-3,973
Dairy Cow Slaughter	50,925	50,040	↑	885	57,380	↓	-6,455
Beef Cow Slaughter	63,624	63,553	↑	71	61,142	↑	2,482

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

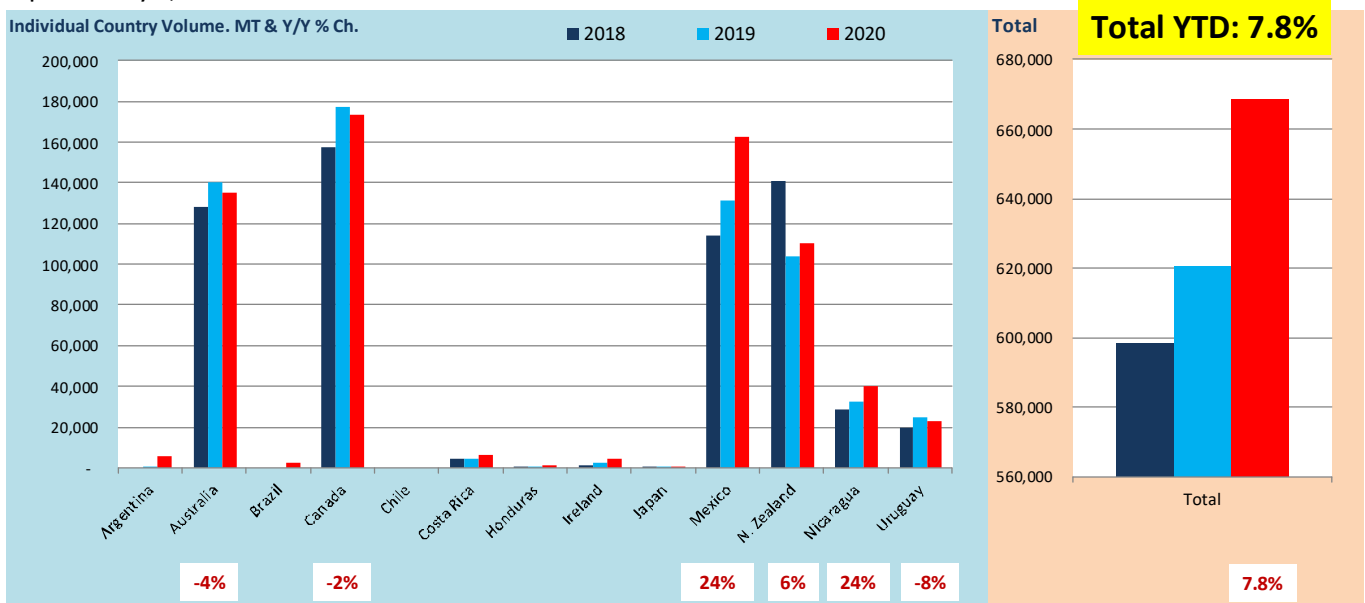
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 30	7/27/2019	7/25/2020		
Argentina	418	5,722	5,304	
Australia	140,593	135,416	(5,177)	-3.7%
Brazil	-	3,032	3,032	
Canada	177,175	173,538	(3,637)	-2.1%
Chile	-	-	-	
Costa Rica	4,475	6,727	2,252	50.3%
France	-	-	-	
Honduras	516	1,531	1,015	196.7%
Ireland	2,990	4,861	1,871	62.6%
Japan	296	218	(78)	-26.4%
Mexico	131,829	163,127	31,298	23.7%
Netherlands	-	-	-	
New Zealand	104,115	110,688	6,573	6.3%
Nicaragua	32,778	40,702	7,924	24.2%
Spain	-	-	-	
Uruguay	25,268	23,231	(2,037)	-8.1%
Total	620,455	668,793	48,338	7.8%

Source: AMS - USDA

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

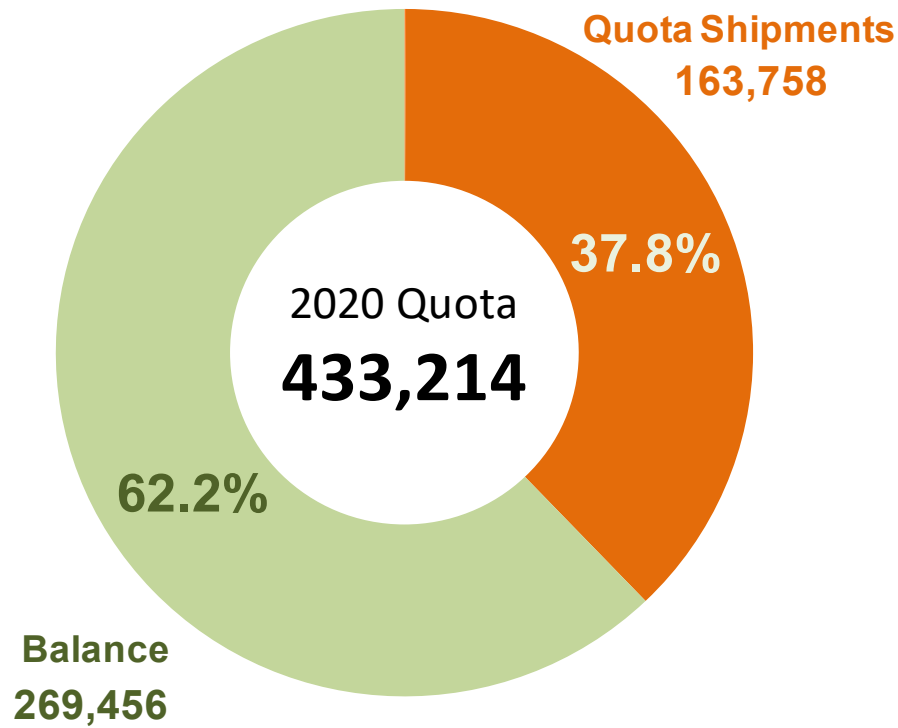
Imports as of July 25, 2020



Australian Beef Quota Position

30-Jul-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending July 27. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

