



US Imported Beef Market

A Weekly Update

Prepared Exclusively for [Meat & Livestock Australia - Sydney](#)

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Market Highlights for the Week:

- Demand for imported beef was generally better this week as fast food business is showing signs of improvement. Spot supplies appear to be somewhat limited but the main challenge for traders is finding replacement product in overseas markets.
- Imports from Central America continue to run well above year ago. There has also been a notable increase in imports from Argentina.
- US wholesale beef prices are currently at record levels even as cattle prices continue to trend lower. Cattle slaughter plants have either closed or they are running significantly below capacity due to outbreaks of COVID19 in plants.
- Fed cattle slaughter last week was estimated to be 32% lower than a year ago while non-fed cattle slaughter was down 7%.
- Faced with a dramatic decline in margins and inability to hedge cattle profitably, feedlots placed 23% fewer cattle on feed in March and we expect a sharp decline in April placements as well. On feed supplies are now 5.5% lower than a year ago.
- The supply of cattle that have been on feed for at least 120 days is still quite high from a historical perspective and the drop in slaughter is likely to result in a significant backlog and out of spec cattle during May and June.

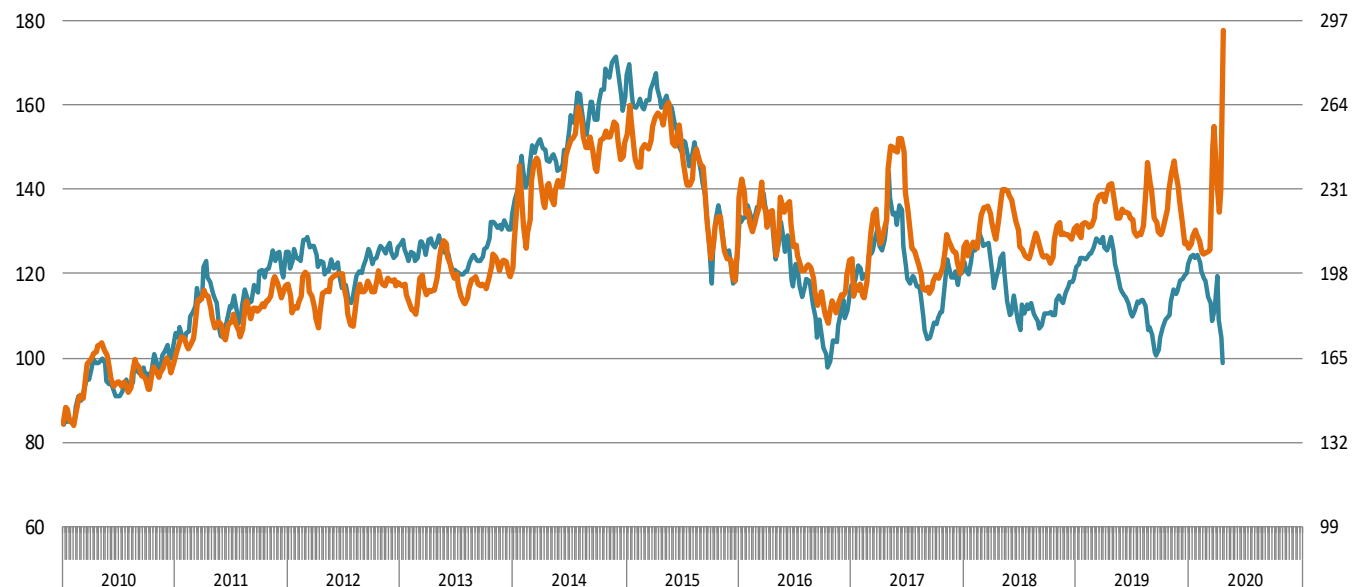
Imported Market Activity for the Week

Market for imported beef was generally slow last week even as demand showed notable improvement. Sourcing product in Australia and New Zealand remains difficult while volumes from Central and South America are higher than a year ago. Participants see demand in the very near term as getting better, in part because fast food operators are back in the market looking for product but also because sharply higher prices for domestic grinding beef have pushed users to try

and find imported replacement. Much of the spike in domestic demand still is at fresh retail, especially for ground beef. We think this will continue to keep domestic lean and extra lean product trading at a significant premium to imports. However, as processors start to ramp up again, especially after they depleted inventories in the last four weeks, we think this could help bolster values for imported product. Availability of imported round cuts in the spot market is limited, which has not allowed traders to fully take advantage of the current demand for this product.

Relationship of Fed Steer Prices vs. Choice Beef Cutout

Weekly Prices. Source: USDA. Analysis by Steiner Consulting



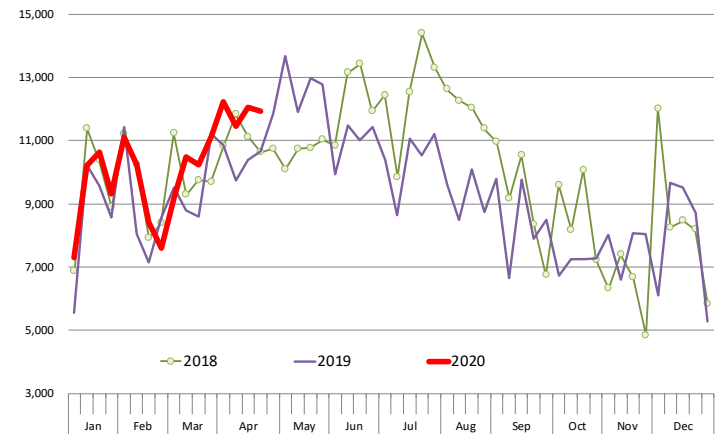
Market highlights from last week:

- Plant closures, whether beef, pork or poultry are the main topic of conversation and concern in the industry. A number of plants were idled again last week, resulting in a sharp drop off in available supply. Cattle slaughter in the US last week was down 27% from a year ago, hog slaughter was down 15%. The decline in both cattle and hog slaughter has been dizzying. For instance, at the end of March weekly hog slaughter was a near record 2.778 million head. Last week it was under 2 million head, an almost 30% reduction in supply in just four weeks. We saw a similar reduction in cattle slaughter, especially in plants harvesting fed cattle. Non fed cattle slaughter for the week was down 7% from a year ago and has averaged 6% below year ago.

- More pork and beef plants were closed last week. Indiana Packing, with a daily hog slaughter capacity of 17,300 head was closed as was the Smithfield plant in Monmouth with a capacity of 12,600 head. This follows the closure of three major pork packing plants earlier in the week and last week. The JBS cattle slaughter facility in Greeley resumed operations on Friday but it will likely run at a low capacity for a few days. A number of plants are working with reduced capacity and are now at risk of being closed as well.

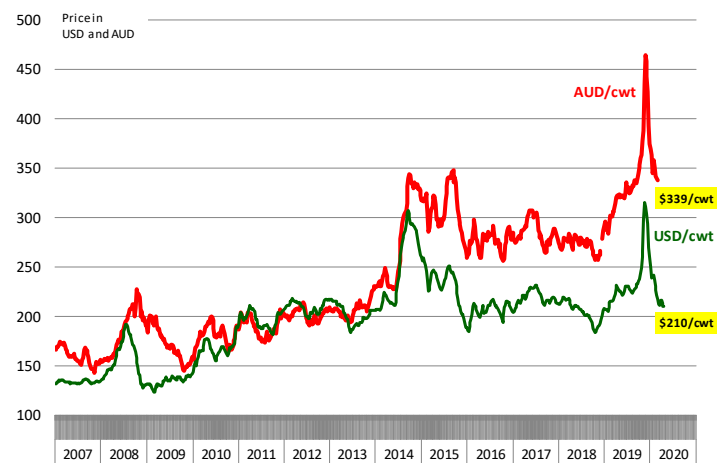
- Some packers have sent Act of God letters to their customers as they are unable to fill orders as promised. This has resulted in a scramble to find product in order to fill the retail meat case. The choice beef cutout on Friday closed at over \$293, a 22% jump from just a week ago and a new all time record level. Prices are now above those experienced in 2014. However, back then the spike in beef prices followed a sharp contraction in cattle supplies and cattle and beef prices rose in tandem. This year, the lack of packing capacity has caused prices for cattle to crater while beef values have climbed the ladder to record levels. The disparity between beef and cattle prices has resulted in extreme unhappiness among cattle producers. However, packers are also seeing a significant increase in processing costs as running plants at 50% - 60% capacity is extremely inefficient. All participants are victim to the virus but there is no clear path as to how quickly the situation will be resolved. We will learn a lot by observing how quickly two plants that were previously closed for a couple weeks return to production. There is real fear among producers that new procedures put in place

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



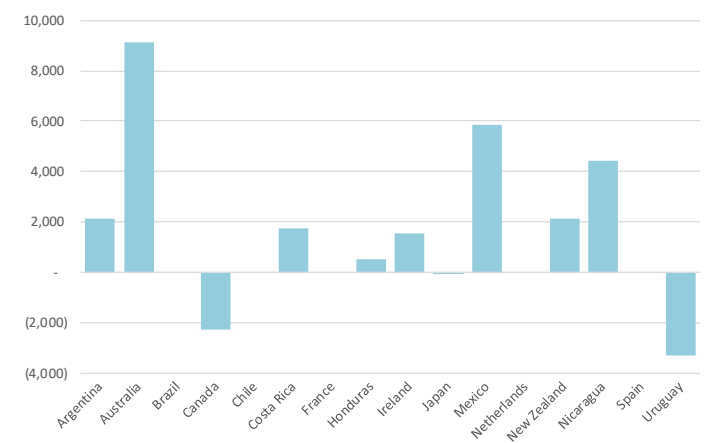
Price of 90CL Imported Beef in US Market (FOB East Coast)

Prices in US\$/cwt and AUD/cwt. Price data: Urner Barry. Exchange rate data: Federal Reserve. Analysis by Steiner Consulting



Y/Y Increase in the Volume of Beef Imported from Various Countries

Source: USDA-AMS. Product wt. basis.



to control the spread of COVID19 will mean a net, long term reduction in packing capacity. Capacity was a constraint for the cattle market in the last two years and the situation has turned desperate at this time. Cattle futures are a deliverable contract (like oil). April futures were down the daily permissible limit as traders that hold contracts tried to get out and found it hard to do so.

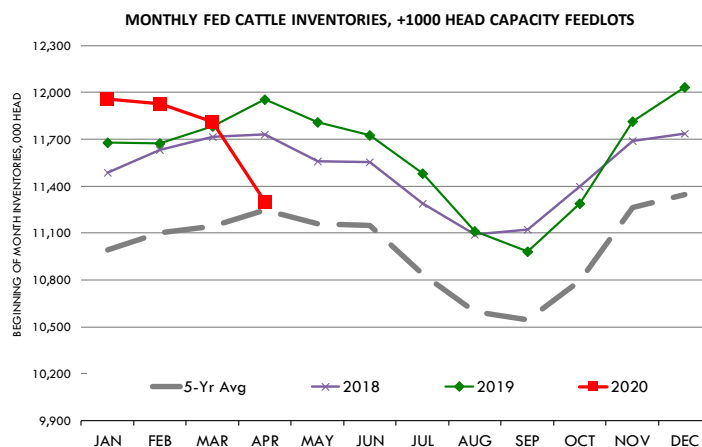
- Chicken slaughter last week was down 5% from a year ago and we think slaughter this week was down 8% or more. Chicken producers are in the process of breaking eggs. Egg sets in incubators in the last two weeks were down 5% from a year ago. In March egg sets were running 3.3% higher than last year. The April 1 broiler hatching flock was up 4% from a year ago. In a normal year this would imply egg sets increasing by 3-3.5%. The next shoe to drop will be producers removing birds from the hatching flock, either by increasing molting or simply destroying birds.

- The largest US meat packing union on Friday announced that 5000 workers have been infected with COVID19 and 13 have died. This issue will gain more prominence in the next few weeks and may result in continued slow processing pace at US meat plants.

Cattle on feed update

The latest USDA 'Cattle on Feed' survey confirmed what analysts were expecting - faced with negative returns and inability to put in place effective hedging feedlots sharply reduced the number of cattle they placed on feed in March. This has the potential to create a marketing hole later in the summer and early fall. However, much will depend on the broader economic conditions and how quickly consumer demand will recover.

On April 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.297 million head, 5.5% lower than a year ago. This was on the low end of analyst estimates. This was the biggest m/m decline in inventory numbers since July 2009, a year that saw one of the worst recessions in US history. Lower placements and higher marketings in March drove this year's decline. Front end feedlot supplies remain large despite the sharp turn in the total inventory count. The supply of cattle that on April 1 had been on feed for 120 days or more is estimated at 4.481 million head, 3.2% lower than the previous year but still 5.8% higher than the five year aver-



age. Seasonally supplies of market ready cattle peak in Q2 and that is the case again this year. The challenge for producers is the fact that not only are plants down in the near term but new systems that will be put in place to control the spread of COVID19 also mean an effective decline in overall capacity. Harvesting cattle in a timely fashion will be a challenge through spring and summer.

Placements: Feedlots with +1000 head capacity placed 1.557 million head of cattle on feed during March, **457k head or 22.7% less than a year ago**. Analysts polled ahead of the report on average expected placements to be around 18% lower than last year. Returns on cattle placed in March were especially dismal, with no effective strategies to hedge. Despite low feed costs, feedlots faced a very uncertain and almost assuredly negative future. This was a key factor driving their placement decisions in March. Conditions have deteriorated further as demand uncertainty has been compounded by plant closures, further backing up cattle in feedlots. The biggest decline in placements came in the category of cattle weighing between 700 and 900 pounds. Placements of light calves were down only 15k head but placements of feeders between 700-799 were down 185k head and placements of yearlings between 800-899 head were down 137k head. Pasture conditions this spring will be critical to allow producers to continue to add weight to animals outside the feedlot.

Marketings: Feedlot marketings in March were 233k head or 13.1% higher than a year ago and on the high end of analyst estimates. Retail demand was especially strong in March on consumer panic buying. The high pace of slaughter helped feedlots stay current in March but the trends appear to be shifting. We think April marketings may be down by as much as 20% from a year ago.

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
	23-Apr-20	16-Apr-20		25-Apr-19	
CME FEEDER CATTLE INDEX	119.48	115.75	3.2%	144.24	-17.2%
	24-Apr-20	17-Apr-20		26-Apr-19	
FED STEER (5-MKT AVG)	98.78	99.05	-0.3%	126.95	-22.2%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	100.00	100.00	0.0%	92.00	8.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	102.50	105.00	-2.4%	96.50	6.2%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	99.50	104.00	-4.3%	91.50	8.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	189.78	182.93	3.7%	154.79	22.6%

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
	24-Apr-20	226.0	17-Apr-20	225.0		26-Apr-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	225.0	226.0	220.0	225.0	1.0	240.0	241.0	-15.0
90 CL Blended Cow	198.0	200.0	200.0	204.0	-4.0	221.0	222.0	-22.0
90 CL Shank	218.0	220.0	214.0	217.0	3.0	217.0	218.0	2.0
85 CL Fores	195.0	196.0	195.0	197.0	-1.0	207.0	208.0	-12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	224.0	225.0	220.0	224.0	1.0	238.0	239.0	-14.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	194.0	195.0	194.0	195.0	0.0	206.0	207.0	-12.0
80 CL Trimmings		UNQ		UNQ	N/A	188.0	189.0	N/A
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	285.0	295.0	280.0	285.0	10.0	280.0	285.0	10.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	235.0	240.0	N/A
Steer Knuckles		UNQ		UNQ	N/A	250.0	255.0	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
	24-Apr-20	23-Apr-20	17-Apr-20	16-Apr-20		26-Apr-19	25-Apr-19	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	230.0	232.0	230.0	232.0	0.0	247.0	248.0	-16.0
90 CL Blended Cow	207.0	208.0	207.0	208.0	0.0	226.0	228.0	-20.0
90 CL Shank	227.0	228.0	225.0	226.0	2.0	226.0	227.0	1.0
85 CL Fores	200.0	201.0	200.0	201.0	0.0	212.0	213.0	-12.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	230.0	231.0	230.0	231.0	0.0	246.0	247.0	-16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings		200.0		200.0	0.0	211.0	212.0	-12.0
80 CL Trimmings	195.0	196.0	193.0	194.0	2.0	196.0	197.0	-1.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	305.0	315.0	290.0	300.0	15.0	285.0	290.0	25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ		UNQ	N/A	240.0	245.0	N/A
Steer Knuckles	270.0	280.0	265.0	270.0	10.0	255.0	260.0	20.0

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	
	24-Apr-20			17-Apr-20				26-Apr-19			
<u>Domestic Cutouts</u>											
Choice Cutout	293.37			238.99			54.4	232.99			60.4
Select Cutout	279.02			227.20			51.8	219.41			59.6
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	238.5	263.0	247.1	233.0	246.0	240.6	6.4	228.5	230.3	229.3	17.8
85 CL Beef Trimmings	203.0	230.0	214.5	201.6	220.0	210.9	3.6	180.0	203.0	197.5	16.9
50 CL Beef Trim	76.0	151.0	113.8	48.0	110.5	70.8	43.0	82.0	106.5	90.3	23.4
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	18.3	45.0	26.8			18.7	8.1	40.3	73.5	49.5	-22.8
72 CL Pork Trim	31.5	77.8	42.0			34.5	7.5	78.6	115.8	85.8	-43.9
<u>Point of Lean Values</u>											
90 CL Domestic	274.5			267.4			7.2	254.8			19.8
50 CL Beef Trimming	227.5			141.5			86.0	180.6			46.9
42 CL Pork Trim	63.7			44.5			19.2	117.9			-54.2
72 CL Pork Trim	58.3			47.9			10.4	119.2			-60.9
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>	98.78			99.05			-0.3	126.95			-28.2

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>		<i>Last Year</i>	<i>Change From Last Year</i>	
	24-Apr-20	16-Apr-20			25-Apr-19		
<u>Live Cattle Futures</u>							
April '20	84.975	95.500	↓	-10.53	124.050	↓	-39.08
June '20	82.625	86.475	↓	-3.85	115.375	↓	-32.75
August '20	88.900	90.650	↓	-1.75	112.925	↓	-24.03
October '20	94.475	95.400	↓	-0.92	113.875	↓	-19.40
<u>Feeder Cattle Futures</u>							
April '20	119.800	118.250	↑	1.55	---	↓	#VALUE!
May '20	117.450	118.475	↓	-1.02	143.550	↓	-26.10
August '20	126.400	128.625	↓	-2.22	153.250	↓	-26.85
September '20	127.800	129.775	↓	-1.98	154.325	↓	-26.53
<u>Corn Futures</u>							
May '20	315.750	319.750	↓	-4.00	347.500	↓	-31.75
July '20	323.000	326.250	↓	-3.25	357.250	↓	-34.25
September '20	327.500	331.000	↓	-3.50	365.500	↓	-38.00
December '20	336.750	341.000	↓	-4.25	377.250	↓	-40.50
<u>Ch Wheat Futures</u>							
May '20	526 3/4	529 3/4	↓	-3.00	434 3/4	↑	92.00
July '20	530 1/2	530 1/2	↓	0.00	441 1/2	↑	89.00
September '20	533 1/4	535 3/4	↓	-2.50	449 1/4	↑	84.00
December '20	540 1/4	544 1/2	↓	-4.25	466	↑	74.25

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>		<i>7 Days Ending</i>	<i>Change From Last Year</i>	
	25-Apr-20	18-Apr-20			27-Apr-19		
<u>Total Cattle Slaughter</u>	469,000	502,000	↓	-33,000	642,000	↓	-173,000
	11-Apr-20	4-Apr-20			13-Apr-19		
<u>Total Cow Slaughter</u>	114,222	120,165	↓	-5,943	123,640	↓	-9,418
<u>Dairy Cow Slaughter</u>	64,605	64,243	↑	362	63,712	↑	893
<u>Beef Cow Slaughter</u>	49,617	55,922	↓	-6,305	59,928	↓	-10,311

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

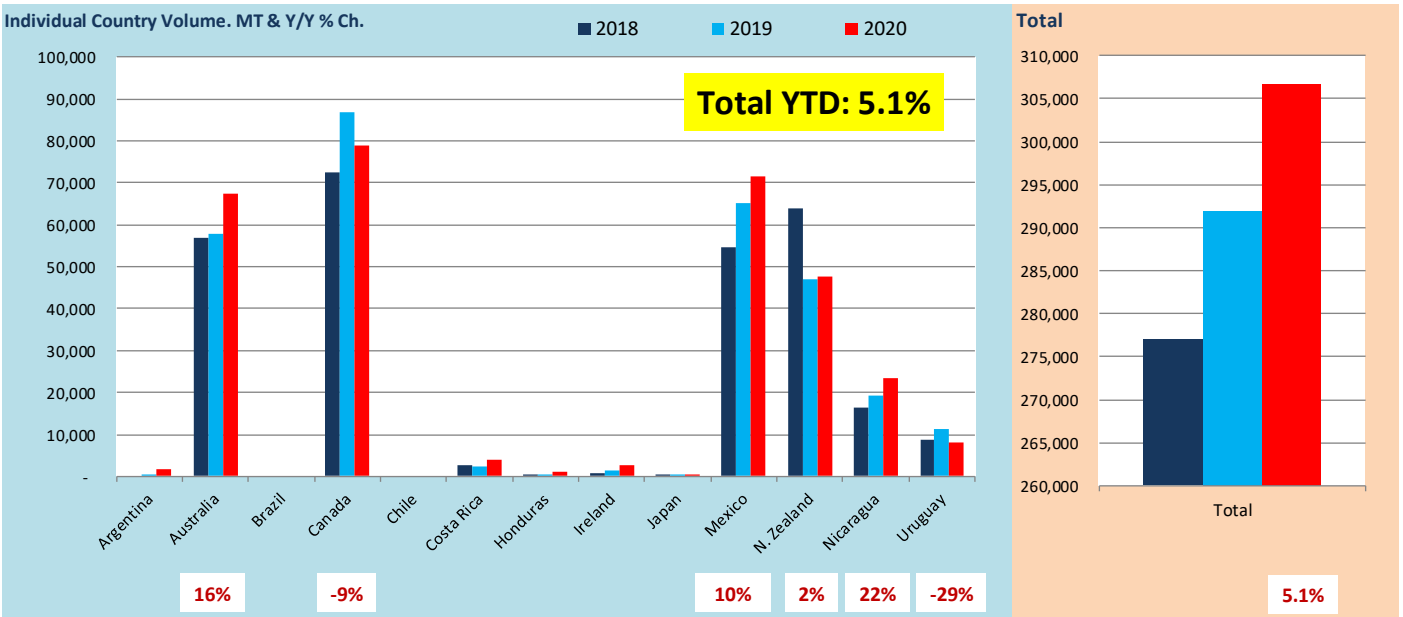
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 16	4/20/2019	4/18/2020		
Argentina	12	2,130	2,118	
Australia	63,586	72,725	9,139	14.4%
Brazil	-	-	-	
Canada	92,513	90,253	(2,260)	-2.4%
Chile	-	-	-	
Costa Rica	2,459	4,205	1,746	71.0%
France	-	-	-	
Honduras	497	1,018	521	104.8%
Ireland	1,475	3,044	1,569	106.4%
Japan	225	140	(85)	-37.8%
Mexico	69,629	75,491	5,862	8.4%
Netherlands	-	-	-	
New Zealand	49,994	52,142	2,148	4.3%
Nicaragua	20,039	24,475	4,436	22.1%
Spain	-	-	-	
Uruguay	12,310	8,996	(3,314)	-26.9%
Total	312,738	334,618	21,880	7.0%

Source: AMS - USDA

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

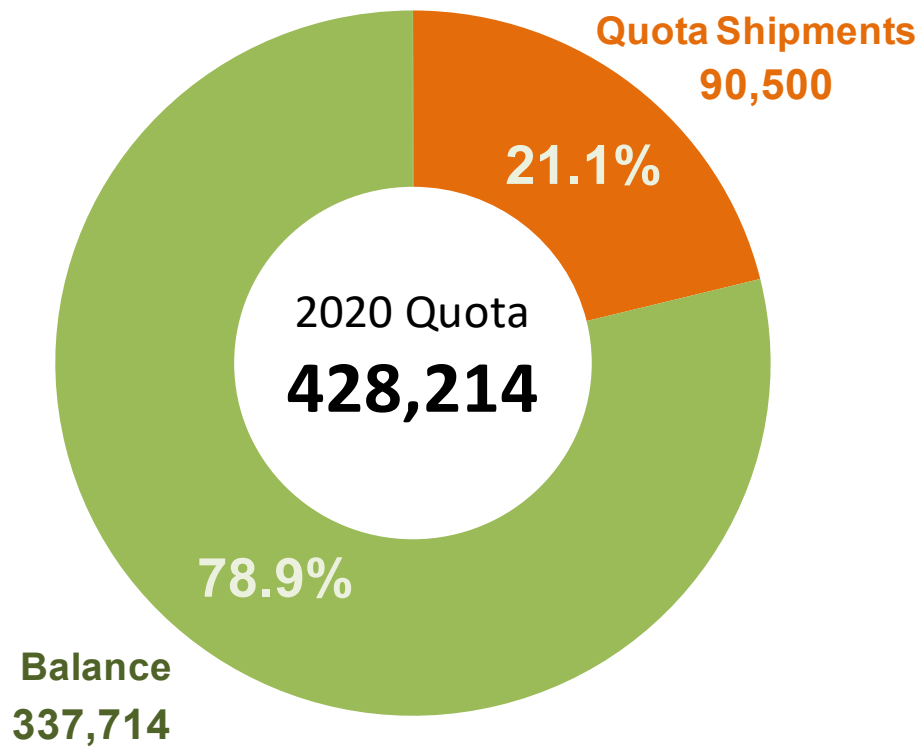
Imports as of April 11, 2020



Australian Beef Quota Position

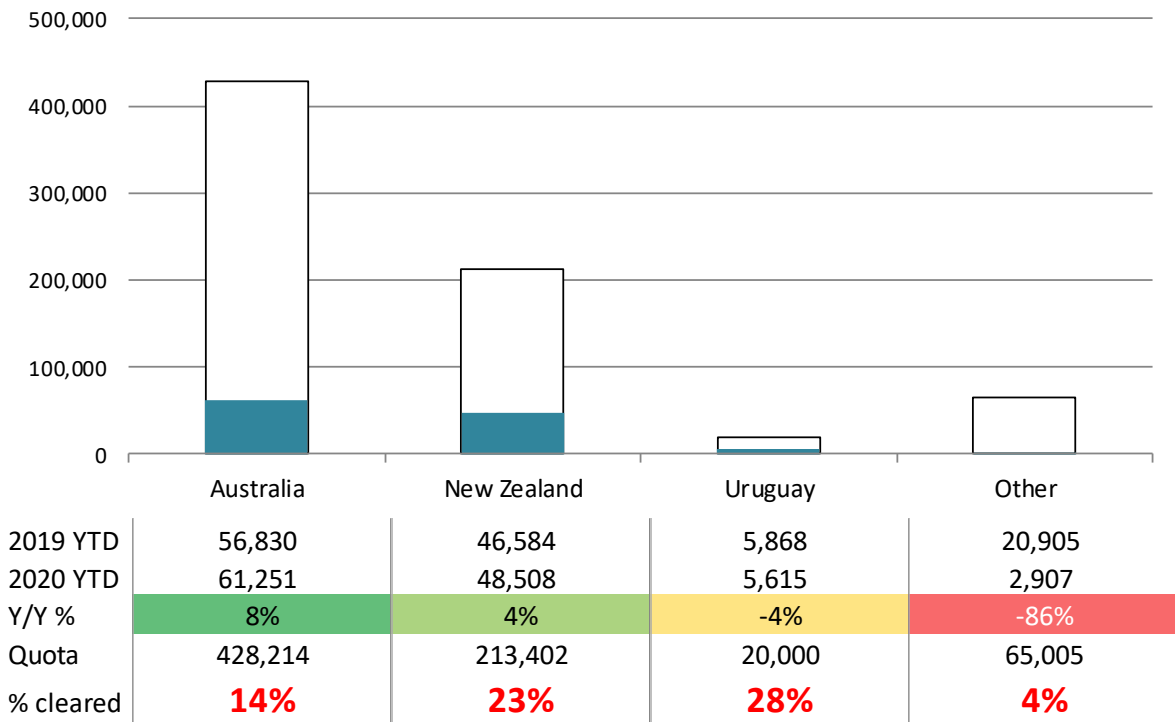
23-Apr-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 13. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting



Please note that US Customs has not issued an update on volume cleared since April 13.