



US Imported Beef Market

A Weekly Update

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

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Market Highlights for the Week:

- US wholesale beef prices jumped 22% in one week as panic buying forced retailers to bid up prices in order to secure supplies.
- Faced with exceptional retail demand US beef packers worked to divert product from foodservice channels to retail while at the same time ramping up fed cattle slaughter
- For the week ending March 21, US fed cattle slaughter is estimated at 513,000 head, 4.2% higher than a year ago. Non fed slaughter for the week was estimated at 140,000 head or 2.6% lower than last year.
- Australian dollar is down 17% vs. the US currency since the start of the year and at the lowest level in decades. Strong US dollar and improvement in short term US beef demand has helped bolster returns for Australian and New Zealand suppliers.
- Our initial estimates are that Australian beef shipments to the US in March could be down as much as 20% compared to a year ago but some of this may change in the next 10 days. Shipments to China and Japan are expected to be higher y/y.

Imported Market Activity for the Week

Imported beef prices made a quick turnaround last week as panic buying in domestic markets spilled over to imported products as well. Market participants noted that much of the demand was for nearby/spot products. Product that is expected to deliver in May or beyond was trading at a significant discount. Much of the demand was clearly for lean and extra lean grinding product as well as for round cuts. This lines up with the spike in demand for similar products in the domestic

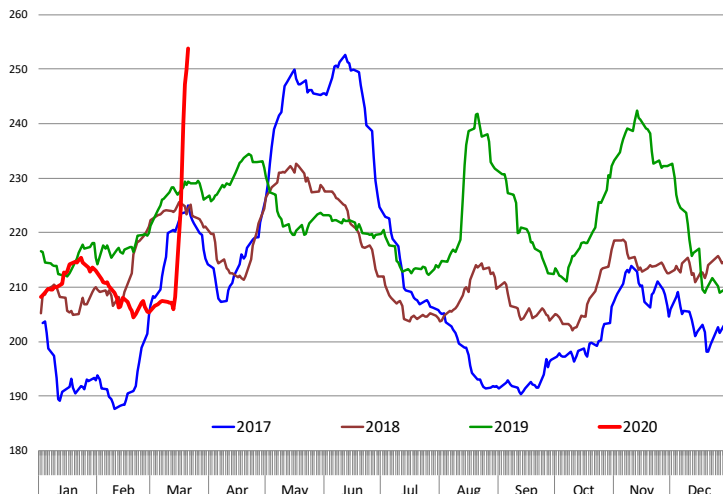
market. While foodservice demand is expected to fall off a cliff in the coming weeks, retail demand has exploded, at least for now. Processors that still need product for retail accounts, convenience stores, etc, were shocked by the rapid climb in prices for some items and turned to imported raw materials for relief. The US market is currently in a period of adjustment, with retailers finding it extremely difficult to meet demand while foodservice business slowly degrades. It is our opinion that the contraction in foodservice demand will play out in the next two weeks. The shift in retail

Consumer Panic Buying Drives a Sharp Correction in Beef Wholesale Values, Supporting All Beef Items

Source: USDA

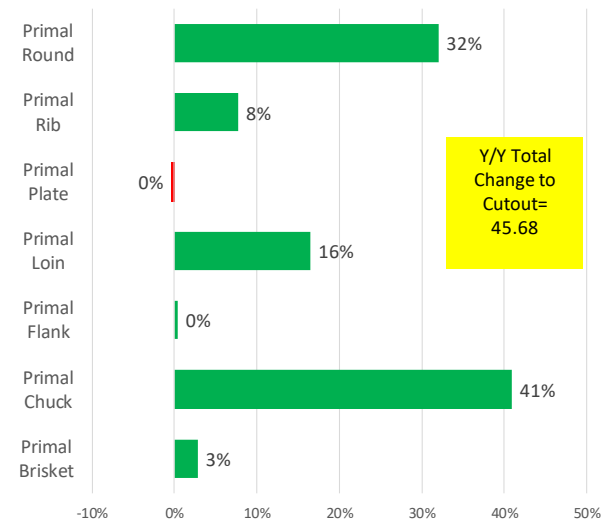
CHOICE BEEF CUTOUT VALUE

Daily Prices: \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service



Contributions to Y/Y Change in Cutout

March 20 vs. March 13

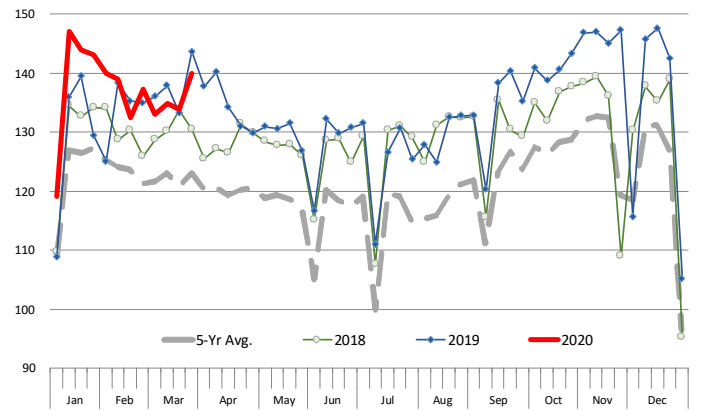


demand, on the other hand, has been immediate. President Trump appeared to drop all pretense on Friday, March 13 and admitted that things were indeed quite bad. This followed a dramatic decline in equity markets and a resulting consumer panic. Talk of quarantines, lockdowns, limited movement, etc effectively communicated to consumers that they needed to bulk up their food and supply reserves. Overnight retail stores were stripped bare of all essentials. This included all kinds of proteins, with beef roasts and ground beef seen as value offerings. The chart on page 1 is eye opening. In a matter of five days, the choice beef cutout (wholesale beef value index) jumped \$46/cwt or 22%. The gains in the value of the chuck primal (wt. avg price for clods, chuck rolls, etc) accounted for about 41% of the overall increase in the cutout while gains in the value of the round primal (insides, flats, etc) accounted for another 32%. The escalation in subprimal prices was just as dramatic. For example, the choice beef cap off inside round price on Friday, March 13 was quoted at \$349/cwt, already quite a hefty price given ongoing strong retail demand. Please note this is fed beef product sold fresh at retail as opposed to imported cap off insides that may or may not come from fed animals and that would normally go into further processing. By the end of last week (March 20), choice cap off inside rounds were quoted at \$440/cwt, a 26% gain. Imported insides gained some ground here but the increase was not as steep, in part because the ones driving the spike in domestic product were retailers desperate to refill the meat case. Processors that had the option of imported beef were willing to pay up to secure some product and spot imported values gains about 15-20 cents.

Lean grinding beef prices were higher although the increase was not as dramatic as what we saw for cuts. USDA quoted the 90CL domestic fresh beef price on Friday, March 20 at \$235.39/cwt, about \$12 higher than where it was the previous week. Please note that the domestic prices on page 7 reference the weekly average rather than the Friday price. Still, the weekly average gain was also \$12/cwt. Imported lean beef (95CL, 90CL) were 3-4 dollars per cwt higher but this is for product delivering a few weeks from now. Nearby product was trading about 10-15 dollars per cwt higher. US cattle packers responded to the unprecedented retail demand by both shifting more product from foodservice channels to retail as well as ramping up slaughter. The shift from foodservice to retail can be seen in the number of loads traded

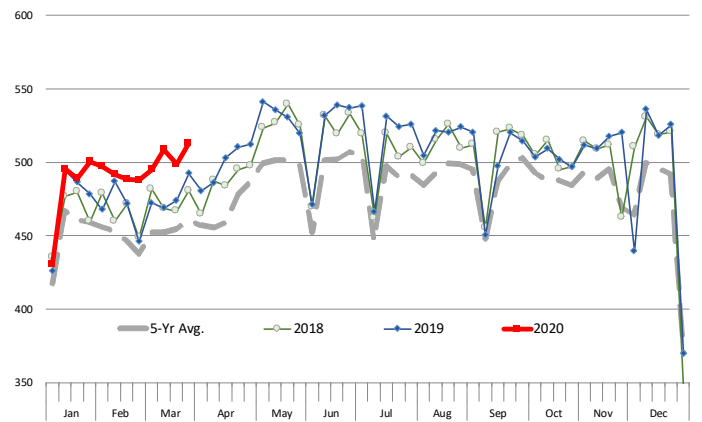
WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS



WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD

Source: USDA



USD Needed to Buy 1 AUD



in the spot market. In normal times, packers would have a good portion of their production already allocated to retail and foodservice operators. Often this is done through either flat price contracts or contracts that are priced based on market reports. Routinely last week foodservice operators received calls as to whether they still needed the supply allocated to them through these contracts. Faced with prospects of declining sales, foodservice buy-

ers were all too happy to give some of the contracted supply to packers. In turn, packers added this supply to the number of loads available for sale to retail. Last week, the supply of choice beef cuts sold in the spot market was around 717 loads compared to 390 loads the previous week and 272 loads the same week a year ago. Increases in the number of loads sold in the spot market for select beef, beef trimmings and ground beef were also dramatically higher than a year ago.

Retail demand is expected to be firm in the next two weeks. Market participants note that packers are hard sold on some products through the end of March and first week of April. However, after that retail demand could taper off. Faced with freezer full of beef/pork and chicken, it is likely consumers will go back to a more normal buying pattern. To be clear, we still think that retail demand will remain quite strong compared to normal since more meals will now have to be consumed at home. However, in two weeks we should start to see the effects of demand destruction at foodservice. Already there are reports that foodservice sales are down sharply and that will only escalate. Some large restaurant chains that are publicly traded are reporting sales are down 60% or more. Orders to shelter in place will further exacerbate the situation.

Imported beef should continue to be supported in the near term given strong retail ground beef demand. But, eventually the slowdown in foodservice demand may catch up with imported beef. There are two major uncertainties going forward:

- How the measures to fight the virus will impact short term demand going into the grilling season (social distancing, closed restaurants, etc)
- How measures to fight the virus will impact the economy at large and thus long term demand (spike in unemployment, negative wealth effect, etc)

At this time it is too early to say how this will play out but there is extreme uncertainty and that will make foodservice buyers extremely cautious. As a result, spot price premiums will remain in place. Everyone is taking the current virus outbreak day by day. US end users are no different, especially when company futures are at stake.

VOLUME OF PRODUCT LOADS SOLD IN THE SPOT MARKET

Week Number	12							
	Choice		Select		Trimmings		Grinds	
2001								
2002	690.44		409		228.51		297.86	
2003	635.15	-8%	566.72	39%	139.84	-39%	260.83	-12%
2004	595.34	-6%	517.08	-9%	134.1	-4%	432.53	66%
2005	552.13	-7%	445.2	-14%	135.41	1%	285	-34%
2006	808.09	46%	661.46	49%	204.89	51%	281.01	-1%
2007	650.64	-19%	520.63	-21%	85.9	-58%	282.59	1%
2008	863.24	33%	453.95	-13%	148.15	72%	273.61	-3%
2009	699.62	-19%	417.86	-8%	158.76	7%	250.31	-9%
2010	509.79	-27%	305.83	-27%	95.17	-40%	214.17	-14%
2011	424.82	-17%	194.03	-37%	63.74	-33%	170.96	-20%
2012	452.81	7%	212.19	9%	85.58	34%	154.08	-10%
2013	457.35	1%	176.95	-17%	49.26	-42%	129.49	-16%
2014	298.96	-35%	157.68	-11%	32.06	-35%	132.69	2%
2015	401.48	34%	128.32	-19%	61.52	92%	154.24	16%
2016	294.76	-27%	101.51	-21%	23.21	-62%	138.28	-10%
2017	358.5	22%	138.5	36%	12.98	-44%	113.06	-18%
2018	298.31	-17%	128.46	-7%	44.01	239%	87.14	-23%
2019	271.91	-9%	82.44	-36%	41.25	-6%	82.85	-5%
2020	716.52	164%	161.43	96%	101.26	145%	194.39	135%

Cattle on feed Update

On January 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.806 million head, 0.2% higher than a year ago. This was in line with pre-report estimates. While placements are notably lower than what they were in 2019 and 2018, they are more in line with the long run trend for this time of year (see chart). The supply of cattle that on February 1 had been on feed for 120 days or more was estimated at 4.463 million head, 0.6% lower than the previous year. Supplies of market ready cattle will start to increase into Q2, reflecting the +372k additional cattle that were placed during the Sep-Dec period. Fed cattle weights are currently running as much as 3.5% higher than a year ago, reflecting the improvement in weather conditions compared to the same time a year ago. This will pressure feedlots to continue to market cattle aggressively at a time when demand outlook has become especially cloudy. Marketings in March have been quite robust but the deterioration in foodservice demand may quickly reverse the trend in April.

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2018	2019	2020	Actual	Estimates	Difference
Placed on Feed During Feb	1,817	1,858	1,711	92.1	92.4	-0.3
Fed Cattle Marketed in Feb	1,675	1,683	1,775	105.5	105.6	-0.1
On Feed March 1	11,715	11,785	11,806	100.2	100.2	0.0

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
	19-Mar-20	12-Mar-20		21-Mar-19	
CME FEEDER CATTLE INDEX	121.38	127.91	-5.1%	141.02	-13.9%
	20-Mar-20	13-Mar-20		22-Mar-19	
FED STEER (5-MKT AVG)	109.21	109.72	-0.5%	127.85	-14.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	112.50	105.50	6.6%	94.00	19.7%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	115.50	116.00	-0.4%	97.00	19.1%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	113.00	109.50	3.2%	89.00	27.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	182.43	174.65	4.5%	154.79	17.9%

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
	20-Mar-20	21-Mar-20	13-Mar-20	14-Mar-20		22-Mar-19	23-Mar-19	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	211.0	214.0	205.0	208.0	6.0	224.0	226.0	-12.0
90 CL Blended Cow	203.0	205.0	200.0	201.0	4.0	210.0	212.0	-7.0
90 CL Shank	205.0	206.0	196.0	199.0	7.0	210.0	212.0	-6.0
85 CL Fores	185.0	189.0	192.0	193.0	-4.0	194.0	195.0	-6.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	210.0	213.0	205.0	207.0	6.0	222.0	224.0	-11.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	184.0	187.0	185.0	186.0	1.0	193.0	194.0	-7.0
80 CL Trimmings	173.0	175.0	177.0	178.0	-3.0		UNQ	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	290.0	295.0		280.0	15.0	280.0	290.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	235.0	245.0	N/A	235.0	240.0	N/A
Steer Knuckles	255.0	260.0		260.0	0.0	250.0	255.0	5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	20-Mar-20	23-Mar-20	13-Mar-20	16-Mar-20		22-Mar-19	29-Mar-19	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	227.0	230.0	225.0	226.0	4.0	235.0	236.0	-6.0
90 CL Blended Cow	212.0	213.0	208.0	210.0	3.0	220.0	222.0	-9.0
90 CL Shank	210.0	211.0	206.0	210.0	1.0	218.0	219.0	-8.0
85 CL Fores	199.0	200.0	199.0	200.0	0.0	205.0	206.0	-6.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	228.0	229.0		225.0	4.0	233.0	234.0	-5.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	198.0	200.0	198.0	199.0	1.0	203.0	205.0	-5.0
80 CL Trimmings	188.0	189.0	187.0	188.0	1.0		UNQ	N/A
75 CL Trimmings	171.0	172.0		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	295.0	300.0	285.0	290.0	10.0	295.0	300.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		UNQ	240.0	245.0	N/A	235.0	240.0	N/A
Steer Knuckles	265.0	270.0	265.0	270.0	0.0	260.0	265.0	5.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	20-Mar-20			13-Mar-20				22-Mar-19			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	253.75			208.14			45.6	229.09			24.7
Select Cutout	240.17			201.98			38.2	218.64			21.5
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	223.5	248.0	229.6	221.0	231.0	223.3	6.3	214.0	221.0	217.5	12.1
85 CL Beef Trimmings	183.7	226.3	198.0	182.9	201.0	190.9	7.1	186.0	200.5	192.9	5.1
50 CL Beef Trim	43.0	75.0	56.8	44.0	68.0	54.9	1.9	78.6	90.3	82.8	-26.0
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	20.0	50.5	26.4	23.0	55.5	29.1	-2.7	23.2	55.7	32.1	-5.7
72 CL Pork Trim	65.0	101.8	74.6	51.0	95.8	68.9	5.7	51.0	76.3	62.8	11.8
<u>Point of Lean Values</u>											
90 CL Domestic	255.1			248.1			7.0	241.7			13.4
50 CL Beef Trimming	113.5			109.8			3.7	165.5			-52.0
42 CL Pork Trim	62.8			69.3			-6.4	76.5			-13.6
72 CL Pork Trim	103.6			95.8			7.9	87.2			16.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	109.21			109.72			-0.5	127.85			-18.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	20-Mar-20	13-Mar-20			22-Mar-19	
<u>Live Cattle Futures</u>						
April '20	98.650	95.575	↑	3.08	129.725	↓ -31.08
June '20	89.525	89.750	↓	-0.22	123.500	↓ -33.98
August '20	90.750	89.175	↑	1.58	120.025	↓ -29.28
October '20	94.000	93.800	↑	0.20	120.850	↓ -26.85
<u>Feeder Cattle Futures</u>						
April '20	118.825	112.600	↑	6.23	148.800	↓ -29.98
May '20	118.250	114.475	↑	3.78	154.050	↓ -35.80
August '20	123.800	121.175	↑	2.63	159.325	↓ -35.53
September '20	124.875	122.275	↑	2.60	159.950	↓ -35.08
<u>Corn Futures</u>						
May '20	343.750	365.750	↓	-22.00	378.250	↓ -34.50
July '20	349.500	368.500	↓	-19.00	387.500	↓ -38.00
September '20	354.750	367.750	↓	-13.00	393.250	↓ -38.50
December '20	363.250	373.000	↓	-9.75	400.000	↓ -36.75
<u>Ch Wheat Futures</u>						
May '20	539 1/4	506	↑	33.25	466	↑ 73.25
July '20	535 3/4	507	↑	28.75	470 3/4	↑ 65.00
September '20	538 1/4	513	↑	25.25	479 1/2	↑ 58.75
December '20	546 3/4	523 3/4	↑	23.00	494 1/4	↑ 52.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	21-Mar-20	14-Mar-20			23-Mar-19	
Total Cattle Slaughter	653,000	633,000	↑	20,000	636,000	↑ 17,000
	7-Mar-20	29-Feb-20			9-Mar-19	
Total Cow Slaughter	126,012	123,909	↑	2,103	129,346	↓ -3,334
Dairy Cow Slaughter	65,009	63,576	↑	1,433	72,654	↓ -7,645
Beef Cow Slaughter	61,003	60,333	↑	670	56,692	↑ 4,311

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

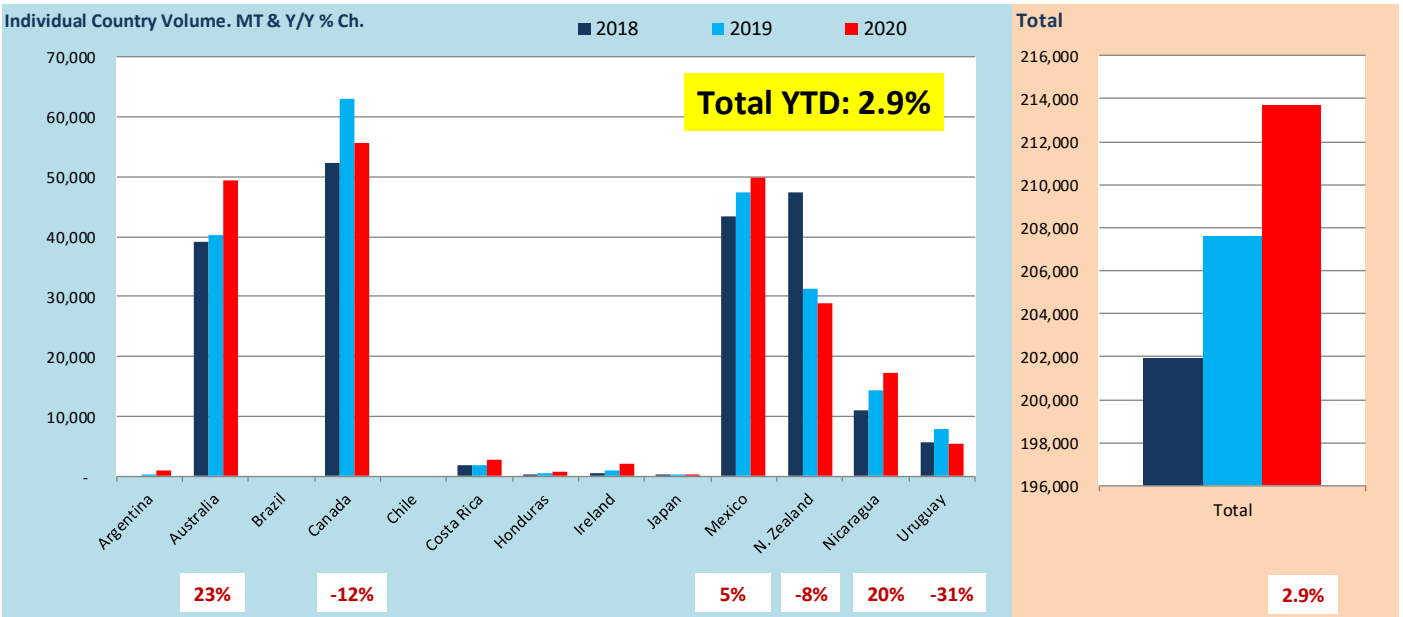
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 11	3/16/2019	3/14/2020		
Argentina	12	1,064	1,052	
Australia	40,201	49,507	9,306	23.1%
Brazil	-	-	-	
Canada	62,994	55,700	(7,294)	-11.6%
Chile	-	-	-	
Costa Rica	1,847	2,788	941	50.9%
France	-	-	-	
Honduras	440	828	388	88.2%
Ireland	909	2,120	1,211	133.2%
Japan	198	110	(88)	-44.4%
Mexico	47,420	49,909	2,489	5.2%
Netherlands	-	-	-	
New Zealand	31,353	28,961	(2,392)	-7.6%
Nicaragua	14,374	17,299	2,925	20.3%
Spain	-	-	-	
Uruguay	7,832	5,393	(2,439)	-31.1%
Total	207,580	213,679	6,099	2.9%

Source: AMS - USDA

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

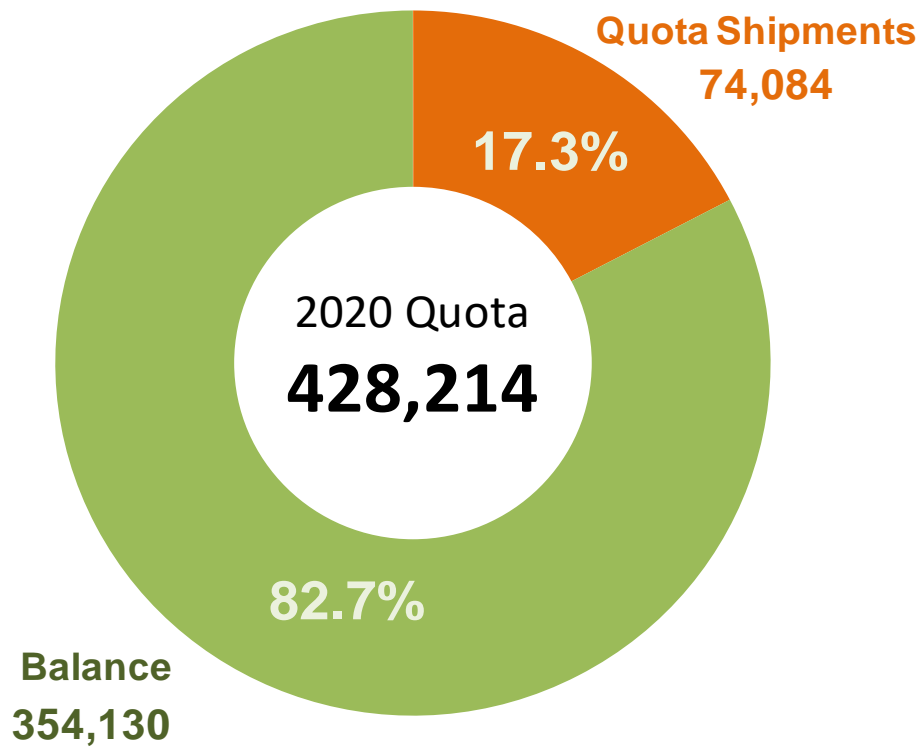
Imports as of March 14, 2020



Australian Beef Quota Position

19-Mar-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 9. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

