



US Imported Beef Market

A Weekly Update

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

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Market Highlights for the Week:

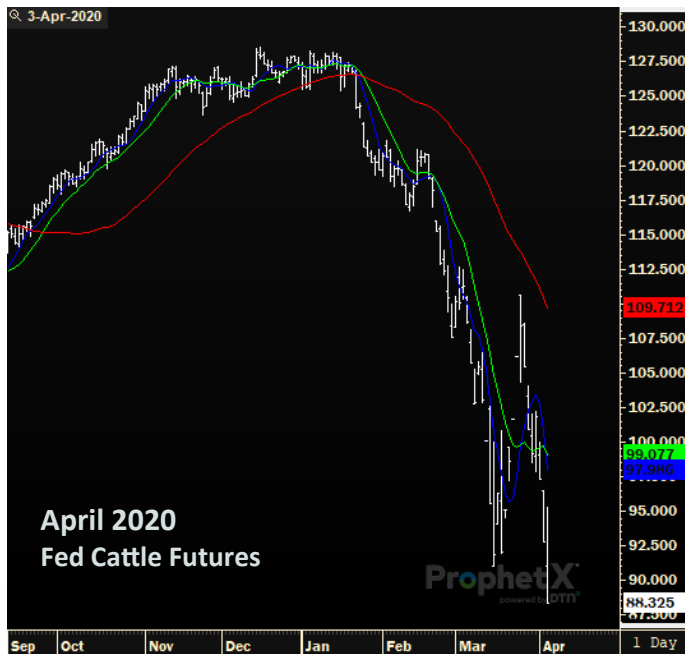
- Imported beef trade was at a standstill last week as whiplash in domestic wholesale markets and uncertainty about NZ and Australian supplies forced traders to sit on the sidelines rather than try to book forward deliveries.
- Spot imported beef prices were volatile and traded in a wide range depending on availability and, product location. With some major buyers sidelined due to the collapse in demand at foodservice, it has become especially difficult for those with inventory to properly judge short and medium term demand.
- US cow slaughter is holding near year ago levels while fed cattle slaughter declined sharply, in part due to labor issues at some plants but mostly because packers are struggling to move steak cuts and fat trim.
- Australian weekly cattle slaughter was down about 19% in March and exports declined by 8%.
- Shipments to the US market last month were even lower than what we had initially projected, down 29% from the previous year and suggesting a significant pullback in supply availability in April.
- Labor concerns became a market focus last week as a number of Canadian processing plants were idled for one or two weeks following positive Coronavirus findings in the workforce. News reports also note rising rates of absenteeism and the potential for major packers to reduce processing capacity in order to better match with available demand and also reduce infection risk for their workforce.

Imported Market Activity for the Week

Imported beef trading ground to a halt last week as extreme volatility caused both traders and buyers to quickly move to the sidelines. Supply availability from Australia and New Zealand is extremely limited at this time while Central American and South American beef is trading at very wide ranges depending on delivery time and brand. While there is some product available in the spot market, trading remains limited both because large buyers no longer appear to be participating but al-

so because replacement values are highly uncertain. Traders also have to consider a much more uncertain funding environment and the need to maintain higher cash reserves. Market participants noted that New Zealand production has declined sharply following changes in processing line configurations and processing speed. As Australia starts to adopt more stringent measures to control the spread of Corona virus, it is expected that a similar situation may develop there as well. But it should also be noted that this is only speculative at this point. Indeed, strong retail demand in Austral-

Livestock Futures Collapse Underscores Extreme Demand Uncertainty About Potential Supply Disruptions



ia has encouraged packers there to pick up the slaughter pace, something that we saw in the US as well, at last in the last three weeks. For the week ending March 27, slaughter in the Eastern States was a little over 140k head, still 4.4% lower than a year ago but the highest weekly slaughter since the first week of February. Australian weekly slaughter for the entire month of March averaged 19% below year ago levels.

The decline in slaughter was reflected in Australian exports in March. The table to the right provides a summary of export performance. Shipments to the US were down by more than 7k MT or 29%, which will limit the supply available in the US market in April. Interesting to see the sharp decline in exports to the Philippines. This is consistent with wire stories about the backlog of containers in the port of Manila and the very possible chance that the port may be shut altogether due to extreme congestion.

US market highlights:

- Wholesale beef prices declined almost as quickly as they rose last week. The choice beef cutout on Friday was quoted at \$230.44/cwt, \$27/cwt or 10% lower than the market peak on March 23. A slowdown in retail demand and the collapse in foodservice sales has dramatically impacted wholesale beef prices. Still, prices for key retail beef products are holding above year ago levels. The value of the round primal on Friday was almost 40% higher than the same period a year ago and the chuck primal was 22% higher than last year. The biggest decline has been in the value of fat beef trim. The plate primal was down almost 43% although it is important to keep in mind how USDA is currently calculating the value of the plate. Because USDA does not collect actual prices on the trimmed plates traded in domestic and export channels, the plate primal value is calculated using the grinding value based on CL content. The price of 50CL beef last week was in the mid 20s and 65CL trim was under \$100/cwt.

- Markets are now starting to come to grip with the collapse in demand from fast food business, one of the key users of grinding beef in the US and the largest user of imported grinding beef. While US domestic lean beef prices are still substantially higher than last year, this is having only a limited impact on the imported market. Spot imported values may have benefited somewhat but the main

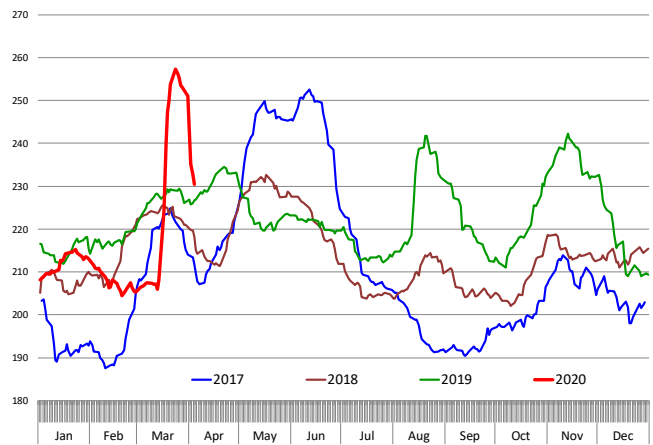
Summary of Australian Beef and Veal Exports: Mar. 2020

Source: MAFF

	3/1/2019	3/1/2020	MT ch.	% ch.
Japan	23,037	26,751	3,714	16%
South Korea	14,821	13,094	(1,727)	-12%
China	20,579	18,328	(2,252)	-11%
USA East	17,453	12,614	(4,839)	-28%
USA West	6,813	4,515	(2,298)	-34%
Total USA	24,267	17,129	(7,137)	-29%
Indonesia	5,118	5,791	673	13%
Philippines	2,665	1,629	(1,036)	-39%
Total EU	1,238	616	(623)	-50%
Total Middle East	2,378	2,360	(18)	-1%
Other Markets	8,326	8,256	(70)	-1%
Total Aus	102,429	93,954	(8,475)	-8%

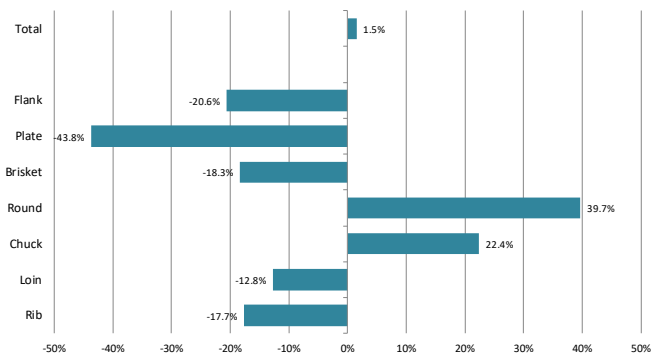
CHOICE BEEF CUTOUT VALUE

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



Y/Y % Ch. in the Value of the Ch. Cutout and Choice Primals

Based on USDA-MPR Data. Analysis by Steiner Consulting



reason why domestic lean beef remains firm is because packers have been very aggressive in buying domestic lean trim to blend in retail ground beef packages. The amount of imported beef going into

retail ground beef is quite small. There are also signs that domestic ground beef prices are heading lower, which will eventually impact lean grinding beef values. Furthermore, some lean and extra lean cuts that normally go to foodservice have seen a dramatic decline in value. Sometimes the selling price of these items is about 25-30 cents under grinding value. The fact that some of this product is in cryo packages tends to limit marketability in the near term. However, over time more of this product will be diverted to grinders and add to the supply available.

- Livestock futures were sharply lower last week as market participants started to come to grips with the decline in demand. Further adding to the downward pressure were numerous reports of potential supply disruptions. Media reports noted that hundreds of workers at the JBS plant in Greeley did not show up for work as some workers were found to be positive with Corona virus. There were also reports of poultry plants either shutting down or limiting operations due to workers getting

sick. In one case in Georgia, workers were sent home as a precaution given widespread cases of Coronavirus in the county where the plant was located. With the disease expected to continue to spread in the next few weeks, there are real concerns about the ability of livestock and poultry plants to maintain processing schedules. This has resulted in dramatic basis swings (basis is the difference between cash and futures price). For instance, USDA noted that the cash price paid for fed cattle last week was around \$111/cwt. This was lower than the \$119-\$120 paid the previous week but still far higher than April futures, which on Friday closed

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
	2-Apr-20	26-Mar-20		4-Apr-19	
CME FEEDER CATTLE INDEX	121.07	130.44	-7.2%	144.01	-15.9%
	3-Apr-20	27-Mar-20		5-Apr-19	
FED STEER (5-MKT AVG)	111.85	118.86	-5.9%	125.06	-10.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	102.50	113.00	-9.3%	83.50	22.8%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	112.00	119.00	-5.9%	85.00	31.8%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	110.50	116.00	-4.7%	81.00	36.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	185.39	186.61	-0.7%	154.79	19.8%

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
	3-Apr-20		27-Mar-20			5-Apr-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	220.0	225.0	224.0	225.0	0.0	237.0	241.0	-16.0
90 CL Blended Cow	210.0	212.0	212.0	213.0	-1.0	219.0	222.0	-10.0
90 CL Shank	208.0	209.0	207.0	210.0	-1.0	217.0	220.0	-11.0
85 CL Fores	195.0	197.0	190.0	195.0	2.0	207.0	210.0	-13.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	224.0	223.0	224.0	0.0	237.0	239.0	-15.0
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	190.0	192.0	3.0	205.0	207.0	-12.0
80 CL Trimmings		UNQ	165.0	170.0	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	300.0	305.0	295.0	300.0	5.0	285.0	295.0	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	260.0	265.0	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
	3-Apr-20		27-Mar-20			5-Apr-19		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	233.0	235.0	235.0	236.0	-1.0	248.0	250.0	-15.0
90 CL Blended Cow	210.0	215.0	218.0	220.0	-5.0	229.0	230.0	-15.0
90 CL Shank	210.0	215.0	215.0	220.0	-5.0	225.0	227.0	-12.0
85 CL Fores	200.0	204.0	203.0	204.0	0.0	214.0	215.0	-11.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	231.0	234.0	234.0	235.0	-1.0	245.0	246.0	-12.0
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	202.0	200.0	203.0	-1.0	212.0	213.0	-11.0
80 CL Trimmings	190.0	192.0	190.0	192.0	0.0	198.0	200.0	-8.0
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	300.0	310.0	310.0	315.0	-5.0	295.0	300.0	10.0
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	265.0	275.0	275.0	280.0	-5.0	255.0	260.0	15.0

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	
	3-Apr-20			27-Mar-20				5-Apr-19	
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low High Wt.Avg	
<u>Domestic Cutouts</u>									
Choice Cutout		230.44			252.84		-22.4	226.93	3.5
Select Cutout		215.84			242.38		-26.5	220.28	-4.4
<u>Domestic Lean Grinding Beef</u>									
90 CL Boneless	237.0	254.0	241.0	221.0	252.0	237.5	3.5	217.0 222.5 217.9	23.1
85 CL Beef Trimmings	197.0	234.0	209.7	189.0	234.0	206.9	2.8	191.0 217.1 196.1	13.5
50 CL Beef Trim	18.0	52.0	28.5	27.0	74.0	50.0	-21.5	80.0 87.4 84.6	-56.1
<u>Domestic Pork Trim</u>									
42 CL Pork Trim	14.3	42.0	20.6	17.2	50.5	22.5	-1.9	34.0 47.0 39.3	-18.7
72 CL Pork Trim	39.0	87.3	51.4	55.0	101.3	68.5	-17.1	71.1 104.3 80.5	-29.1
<u>Point of Lean Values</u>									
90 CL Domestic		267.7			263.9		3.9	242.1	25.7
50 CL Beef Trimming		57.0			99.9		-42.9	169.2	-112.2
42 CL Pork Trim		49.1			53.7		-4.6	93.6	-44.5
72 CL Pork Trim		71.4			95.1		-23.7	111.8	-40.3
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>		111.85			118.86		-7.0	125.06	-13.2

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>	
	3-Apr-20	27-Mar-20			5-Apr-19		
<u><i>Live Cattle Futures</i></u>							
<i>April '20</i>	88.325	100.950	↓	-12.63	126.050	↓	-37.73
<i>June '20</i>	80.850	89.425	↓	-8.57	120.350	↓	-39.50
<i>August '20</i>	84.300	90.450	↓	-6.15	117.375	↓	-33.08
<i>October '20</i>	88.500	94.325	↓	-5.83	118.125	↓	-29.63
<u><i>Feeder Cattle Futures</i></u>							
<i>April '20</i>	108.250	120.600	↓	-12.35	146.150	↓	-37.90
<i>May '20</i>	108.100	120.925	↓	-12.83	150.225	↓	-42.13
<i>August '20</i>	114.425	127.100	↓	-12.68	156.725	↓	-42.30
<i>September '20</i>	115.800	127.575	↓	-11.78	158.225	↓	-42.43
<u><i>Corn Futures</i></u>							
<i>May '20</i>	330.750	346.000	↓	-15.25	362.500	↓	-31.75
<i>July '20</i>	336.750	351.750	↓	-15.00	371.000	↓	-34.25
<i>September '20</i>	342.250	356.000	↓	-13.75	379.500	↓	-37.25
<i>December '20</i>	350.750	364.250	↓	-13.50	390.000	↓	-39.25
<u><i>Ch Wheat Futures</i></u>							
<i>May '20</i>	549 1/4	571 1/4	↓	-22.00	467 3/4	↑	81.50
<i>July '20</i>	545	557 1/4	↓	-12.25	469 3/4	↑	75.25
<i>September '20</i>	547	556 3/4	↓	-9.75	477 1/4	↑	69.75
<i>December '20</i>	554 1/4	563 1/4	↓	-9.00	492	↑	62.25
<hr/>							
<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>	
	4-Apr-20	28-Mar-20			6-Apr-19		
<u><i>Total Cattle Slaughter</i></u>	626,000	676,000	↓	-50,000	627,000	↓	-1,000
	21-Mar-20	14-Mar-20			23-Mar-19		
<i>Total Cow Slaughter</i>	130,664	128,617	↑	2,047	133,713	↓	-3,049
<i>Dairy Cow Slaughter</i>	67,476	65,720	↑	1,756	71,253	↓	-3,777
<i>Beef Cow Slaughter</i>	63,188	62,897	↑	291	62,460	↑	728

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

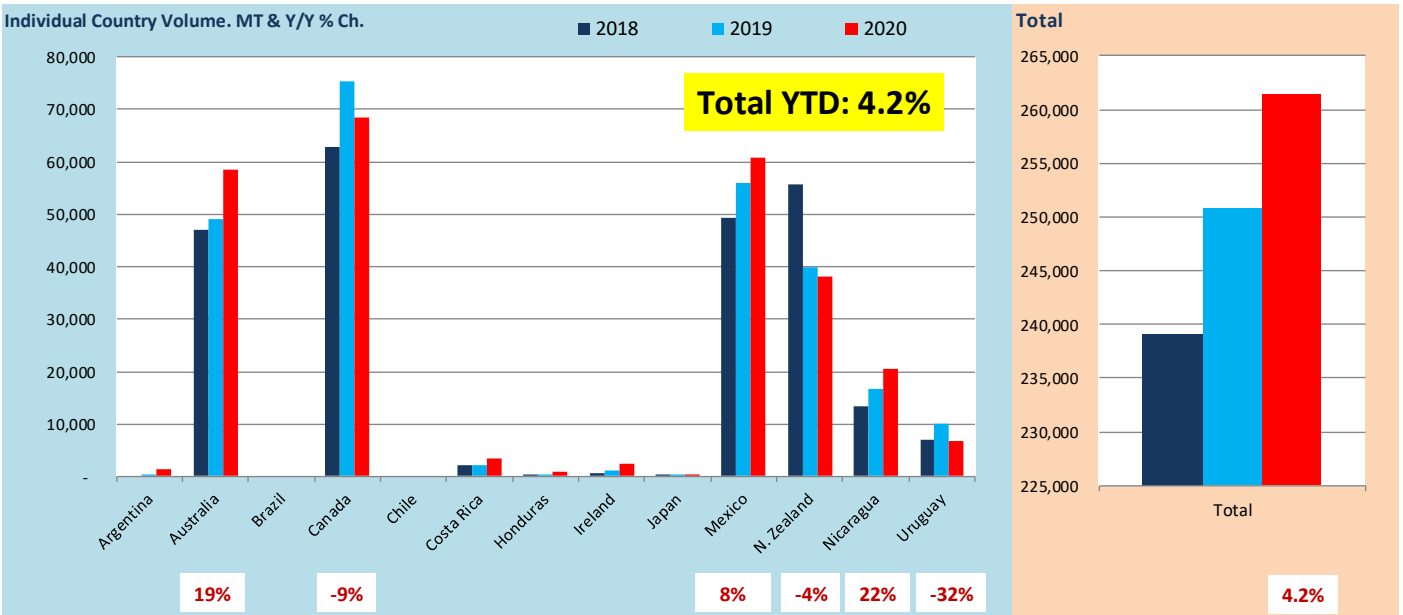
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 13	3/30/2019	3/28/2020		
Argentina	12	1,499	1,487	
Australia	48,990	58,511	9,521	19.4%
Brazil	-	-	-	
Canada	75,335	68,353	(6,982)	-9.3%
Chile	-	-	-	
Costa Rica	2,204	3,453	1,249	56.7%
France	-	-	-	
Honduras	460	943	483	105.0%
Ireland	1,131	2,516	1,385	122.5%
Japan	208	126	(82)	-39.4%
Mexico	55,989	60,738	4,749	8.5%
Netherlands	-	-	-	
New Zealand	39,834	38,092	(1,742)	-4.4%
Nicaragua	16,682	20,398	3,716	22.3%
Spain	-	-	-	
Uruguay	9,948	6,722	(3,226)	-32.4%
Total	250,794	261,351	10,557	4.2%

Source: AMS - USDA

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

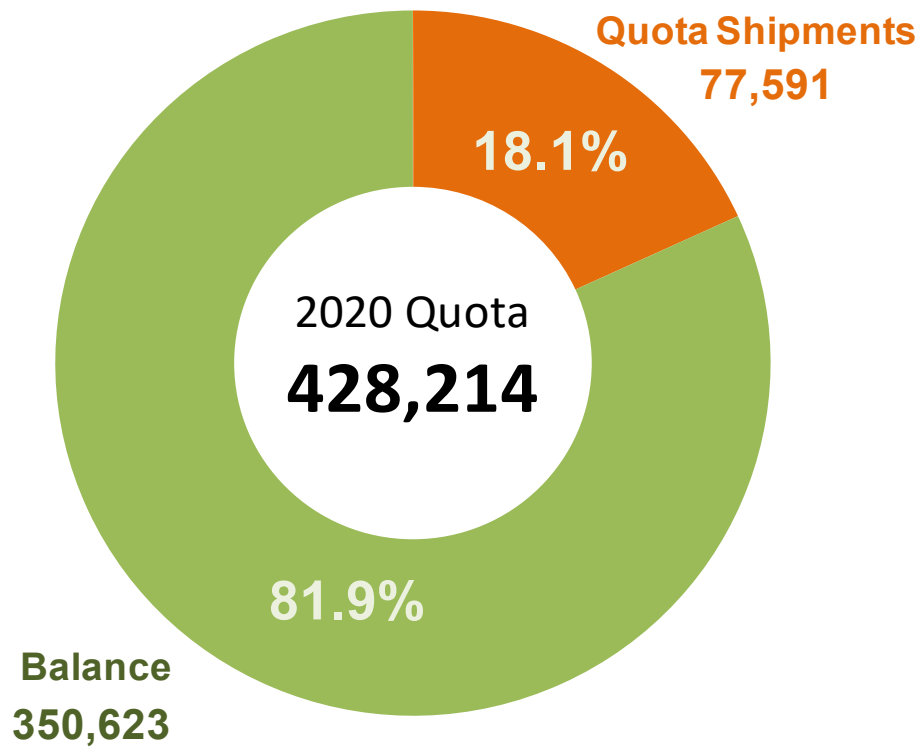
Imports as of March 28, 2020



Australian Beef Quota Position

26-Mar-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 23. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

