



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 remains limited as sharply lower fed cattle futures and uncertainty above beef demand keeps buyers on the sidelines.
- Fast food sales seen down about 45% but performance varies greatly, with restaurants that have drive throughs performing much better than competitors without them.
- Slaughter plants continue to face disruptions due to spread of COVID-19 in the workforce as well as higher rates of absenteeism due to fears of infection.
- Fed cattle slaughter last week was down 23% from two weeks ago while non-fed slaughter was down 13%.

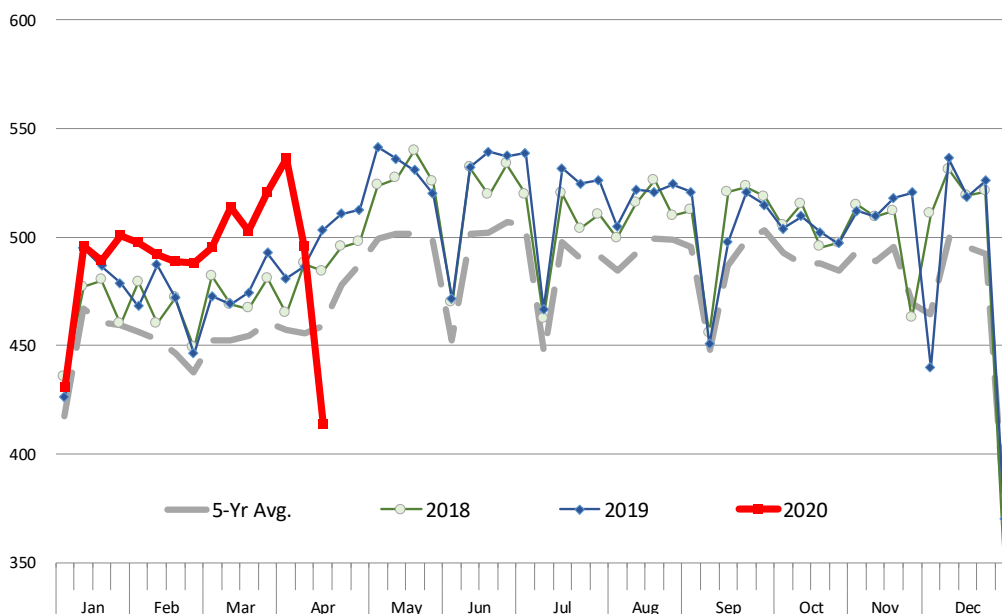
Imported Market Activity for the Week

Imported beef trading continues to be at a standstill. Two important religious holidays this week further limited trading. End users bids are few and far between and usually at price points well below where importers own product. Finding replacement product overseas at levels that work in the current US market has become all but impossible. While there are still some large users that are buying direct, especially lean and extra lean product, not much if trading in the open market. Some

FOB product traded at levels we indicate on page 6. Market participants noted a big jump in the spread between regular 90CL imported grinding beef and shank meat. Limited spot supplies and needs of specific users for this product drove the jump in the spread. Domestic lean beef values are holding together quite well as packers are reportedly quite active in the market looking to source lean beef for their retail ground beef business. This has helped imported beef in some cases but only for nearby loads. Purchasing beef for delivery in May and June still seen as quite a gamble

WEEKLY STEER AND HEIFER SLAUGHTER. '000 HEAD

Source: USDA



Fed cattle slaughter
last week:

Down 23% from two
weeks ago

Down 18% from a
year ago.

and end users are for now sitting on the sidelines.

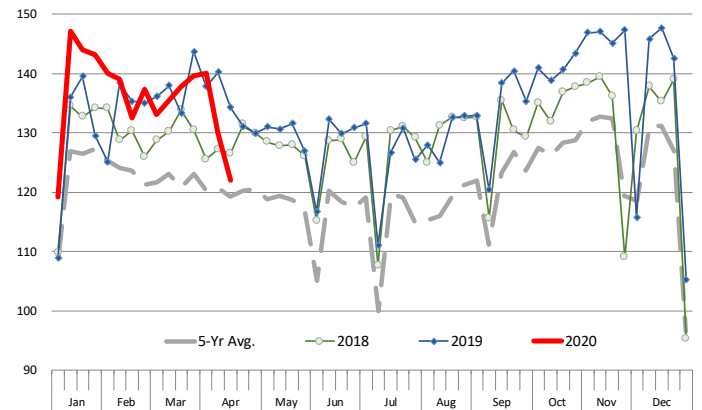
Key market points for the week:

- Cattle processing capacity has emerged as a significant flash point in the US domestic market. We think it is a big part of the reason why fed cattle futures continue to move lower even as the beef cutout has outperformed wholesale prices for pork and chicken. According to media reports, the JBS Greeley plant, with a capacity of 6000/head per day, will be idled for a week in order to address an outbreak of COVID-19 in its workforce. Union officials, quoted in media reports, say that 50 workers have tested positive and 2 have already died. The fact that two workers have already died suggests that virus has spread much more than current testing suggests. The union represents 3000 workers at the plant and they will all be tested and cleared before work resumes. While expectations are that the plant will be closed for only one week, it is hard to say when work will resume as a large number of workers may be infected and thus will need to be quarantined. This is the second JBS plant that has been idled due to COVID-19. Other plants have taken measures to protect against it but this remains a significant risk for the industry. Many market participants we have contacted also suggest that there is a big jump in absenteeism as workers are afraid of infection. Meat processing plants are not set up for social distancing and despite measure taken (extra cleaning, temperature checks, masks), it is almost impossible to prevent a repeat of what happened in Greeley somewhere else.

- We think fed cattle slaughter last week was 413k head, about 122k head or 23% lower than it was two weeks ago. Non fed cattle slaughter last week was 18k head or 13% lower than two weeks ago. The decline reflects some of the production disruptions discussed above but also efforts on the part of packers to better match up supply with available demand. While retail demand for lower value cuts and ground beef remains strong, packers have seen a dramatic drop in demand for middle meat cuts. The price of beef tenderloins, usually the most expensive cut in the carcass, was quoted on Friday at just \$5.21/pound compared to near \$10 per pound the same time last year. Other high value cuts have seen a significant decline in price. While for now the cutout is still holding up, packers need to find a home for steak product before they normalize production. Cutbacks in slaughter should be positive

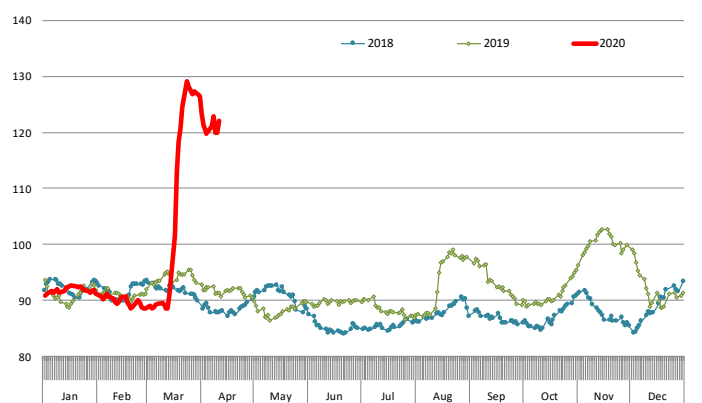
WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS



\$ CONTRIBUTION TO THE CUTOUT FROM CHUCK/ROUND PRIMALS

\$/cwt. Daily Values. Source: USDA-AMS. Calculations by Steiner Consulting



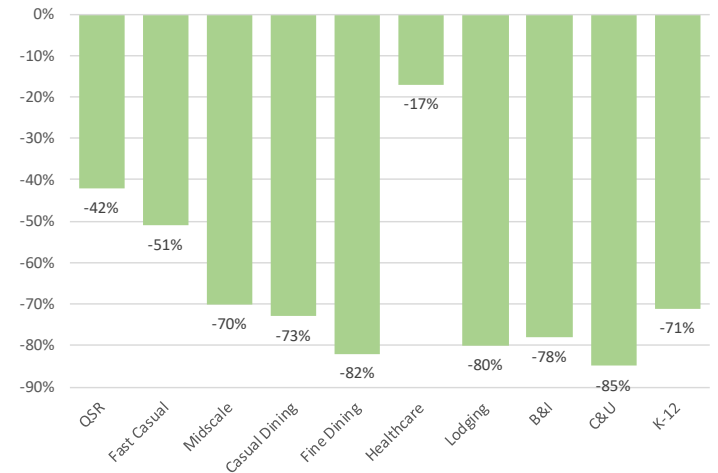
for lean beef prices. We continue to see 90CL beef trading in the \$2.40 range and that will likely persist into early May given strong consumer demand for cheaper beef options. Round and chuck cuts continue to benefit as well. As the chart above shows, the chuck and round primal value is currently contributing \$31/cwt or 34% more than the same period a year ago. This has more than offset the decline in the value of the loin and rib primal.

- The second factor impacting the market is the dramatic decline in foodservice demand. In the last three weeks foodservice distributors have faced a sharp drop in orders, which in turn has forced them to steadily reduce what they order from packers or processors. There have been a number of reports of a dramatic decline in foodservice sales. A survey from Datassential found that operators were seeing a drop of anywhere between 42% and 80% depending on the segment. Remember that this survey was done towards the end of March but even today there are still states that either do not have lockdown orders in place or they are fairly lax in imposing them. In major metro areas, however,

sit down restaurant sales are down 100%. Fast food performance varies greatly but we would think that sales even at the best performing restaurants are down 25%. Drive through business and delivery systems offer fast food operators an advantage. After all consumers already know how to order pizza delivery and the arrival of food delivery companies, like Grubhub, Uber Eats, etc has significantly increased that side of the business. On average, however, the respondents to the survey indicated that QSR business is down about 42% and fast casual (Chipotle, Panera, etc) is down 51%. The decline in foodservice has impacted items for which there is no easy way to market them at retail. About two thirds of all the pork bellies produced go to foodservice, with most used by fast food restaurants. Fresh bellies are almost never sold at retail. And even if retailers were to put in bacon orders today, they would need to wait a few weeks before being able to get the additional supply. Similarly, there is relatively limited demand for hams at retail. Usually the bottom in the ham market is around Easter. By that time processors have already filled orders. Mexico purchases have also slowed down, in part due to the weak Peso but largely because of the compounding economic effects of the Corona virus.

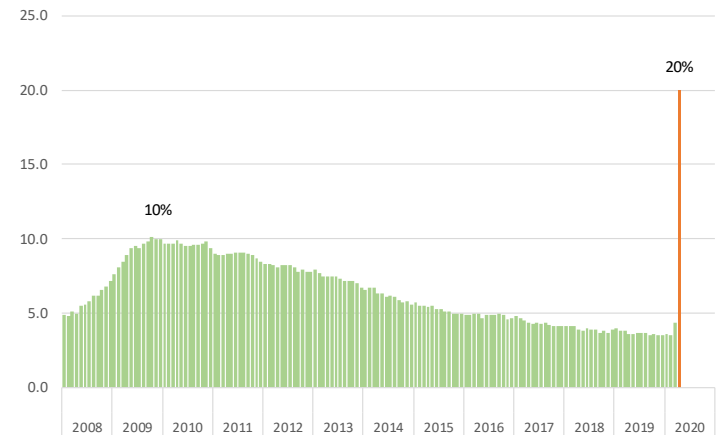
Restaurant Business Decrease since Outbreak of COVID-19

Source: Datassential survey of operators by segment



Unemployment Rate Since Great Recession of 2008-09 and JPMorgan Estimates for April

Source: BLS and JPMorgan



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
	9-Apr-20	2-Apr-20		11-Apr-19	
CME FEEDER CATTLE INDEX	114.97	121.07	-5.0%	142.78	-19.5%
	10-Apr-20	3-Apr-20		12-Apr-19	
FED STEER (5-MKT AVG)	105.00	111.85	-6.1%	125.61	-16.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	102.50	102.50	0.0%	82.50	24.2%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	105.00	112.00	-6.3%	90.50	16.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	99.50	110.50	-10.0%	81.00	22.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	183.80	185.39	-0.9%	154.79	18.7%

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
	10-Apr-20		3-Apr-20			12-Apr-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	220.0	225.0	220.0	225.0	0.0	243.0	244.0	-19.0
90 CL Blended Cow	210.0	212.0	210.0	212.0	0.0	223.0	225.0	-13.0
90 CL Shank	208.0	209.0	208.0	209.0	0.0	218.0	221.0	-12.0
85 CL Fores	195.0	197.0	195.0	197.0	0.0	208.0	210.0	-13.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	220.0	224.0	220.0	224.0	0.0	240.0	242.0	-18.0
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	207.0	208.0	-13.0
80 CL Trimmings		UNQ		UNQ	N/A		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	300.0	305.0	-10.0	280.0	290.0	5.0
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
	10-Apr-20		3-Apr-20			12-Apr-19		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	231.0	233.0	233.0	235.0	-2.0	251.0	252.0	-19.0
90 CL Blended Cow	210.0	213.0	210.0	215.0	-2.0	230.0	231.0	-18.0
90 CL Shank	225.0	226.0	210.0	215.0	11.0	227.0	228.0	-2.0
85 CL Fores	200.0	201.0	200.0	204.0	-3.0	215.0	216.0	-15.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	230.0	232.0	231.0	234.0	-2.0	247.0	248.0	-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	202.0	-2.0	213.0	214.0	-14.0
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	290.0	300.0	300.0	310.0	-10.0	285.0	295.0	5.0
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	270.0	265.0	275.0	-5.0	255.0	260.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	10-Apr-20	3-Apr-20		12-Apr-19							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	223.93			230.44			-6.5	228.75			-4.8
Select Cutout	208.33			215.84			-7.5	221.02			-12.7
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	233.0	250.0	240.3	237.0	254.0	241.0	-0.6	217.0	222.0	218.3	22.0
85 CL Beef Trimmings	197.0	225.0	208.9	197.0	234.0	209.7	-0.8	194.0	205.0	196.0	12.9
50 CL Beef Trim	18.0	60.5	33.6	18.0	52.0	28.5	5.1	84.3	94.5	87.9	-54.3
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	14.0	37.3	17.5	14.3	42.0	20.6	-3.1	40.0	68.1	46.2	-28.7
72 CL Pork Trim	27.0	75.8	37.5	39.0	87.3	51.4	-14.0	79.0	119.1	91.0	-53.6
<u>Point of Lean Values</u>											
90 CL Domestic	267.0			267.7			-0.7	242.6			24.4
50 CL Beef Trimming	67.1			57.0			10.2	175.8			-108.7
42 CL Pork Trim	41.7			49.1			-7.4	110.0			-68.3
72 CL Pork Trim	52.0			71.4			-19.4	126.4			-74.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	105.00			111.85			-6.8	125.61			-20.6

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week	Week		Last Year	Last Year
	9-Apr-20	3-Apr-20			12-Apr-19		
<u>Live Cattle Futures</u>							
April '20	94.000	88.325	↑	5.68	126.550	↓	-32.55
June '20	84.375	80.850	↑	3.53	121.450	↓	-37.08
August '20	90.750	84.300	↑	6.45	118.200	↓	-27.45
October '20	96.650	88.500	↑	8.15	119.025	↓	-22.38
<u>Feeder Cattle Futures</u>							
April '20	119.525	108.250	↑	11.28	145.425	↓	-25.90
May '20	118.950	108.100	↑	10.85	150.500	↓	-31.55
August '20	128.875	114.425	↑	14.45	158.700	↓	-29.83
September '20	129.375	115.800	↑	13.58	159.775	↓	-30.40
<u>Corn Futures</u>							
May '20	331.750	330.750	↑	1.00	361.000	↓	-29.25
July '20	336.750	336.750	↓	0.00	369.500	↓	-32.75
September '20	341.750	342.250	↓	-0.50	377.500	↓	-35.75
December '20	350.750	350.750	↓	0.00	389.000	↓	-38.25
<u>Ch Wheat Futures</u>							
May '20	556 1/2	549 1/4	↑	7.25	464 1/2	↑	92.00
July '20	557 1/2	545	↑	12.50	468 1/2	↑	89.00
September '20	561 1/4	547	↑	14.25	475 1/4	↑	86.00
December '20	567 3/4	554 1/4	↑	13.50	491 1/2	↑	76.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	10-Apr-20	3-Apr-20			12-Apr-19		
Total Cattle Slaughter	626,000	676,000	↓	-50,000	627,000	↓	-1,000
	27-Mar-20	20-Mar-20			29-Mar-19		
Total Cow Slaughter	#N/A	#N/A	↑↑	#N/A	#N/A	↑↑↑	#N/A
Dairy Cow Slaughter	#N/A	#N/A	↑↑	#N/A	#N/A	↑↑↑	#N/A
Beef Cow Slaughter	#N/A	#N/A	↑↑	#N/A	#N/A	↑↑↑	#N/A

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

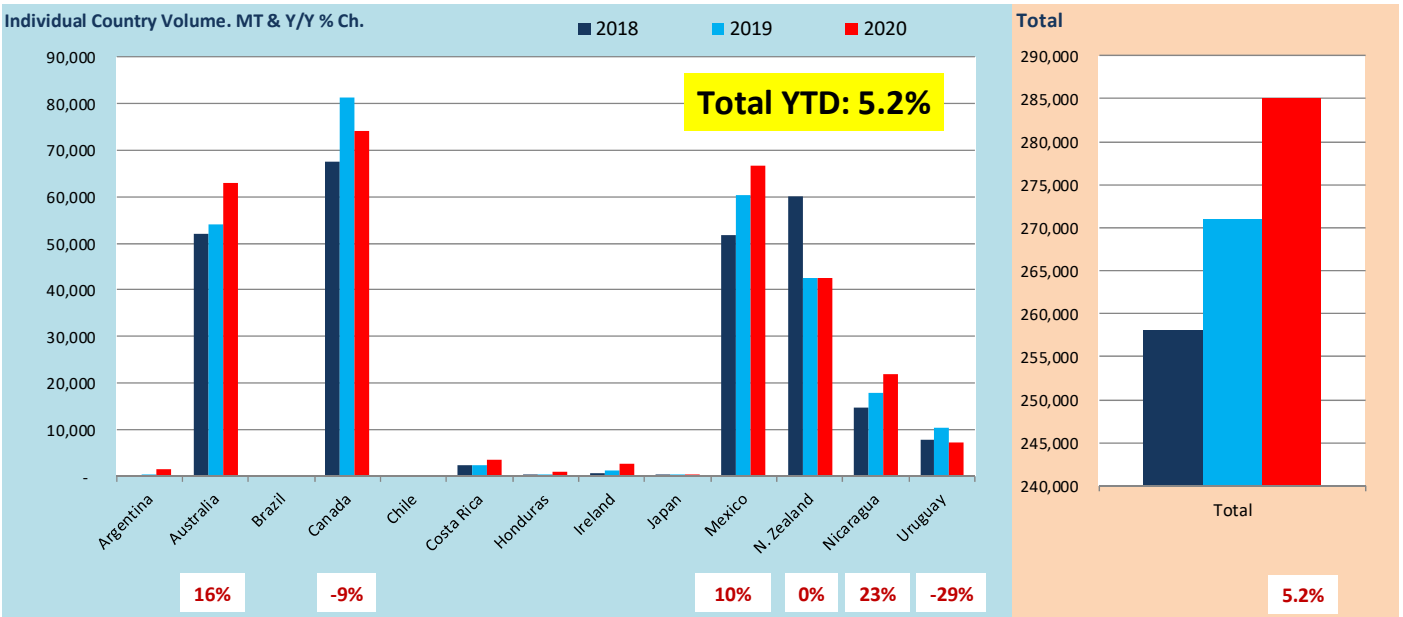
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 14	4/6/2019	4/4/2020		
Argentina	12	1,651	1,639	
Australia	54,120	62,946	8,826	16.3%
Brazil	-	-	-	
Canada	81,265	74,247	(7,018)	-8.6%
Chile	-	-	-	
Costa Rica	2,305	3,689	1,384	60.0%
France	-	-	-	
Honduras	497	943	446	89.7%
Ireland	1,204	2,749	1,545	128.3%
Japan	212	135	(77)	-36.3%
Mexico	60,425	66,621	6,196	10.3%
Netherlands	-	-	-	
New Zealand	42,625	42,628	3	0.0%
Nicaragua	17,962	22,064	4,102	22.8%
Spain	-	-	-	
Uruguay	10,338	7,295	(3,043)	-29.4%
Total	270,965	284,968	14,003	5.2%

Source: AMS - USDA

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

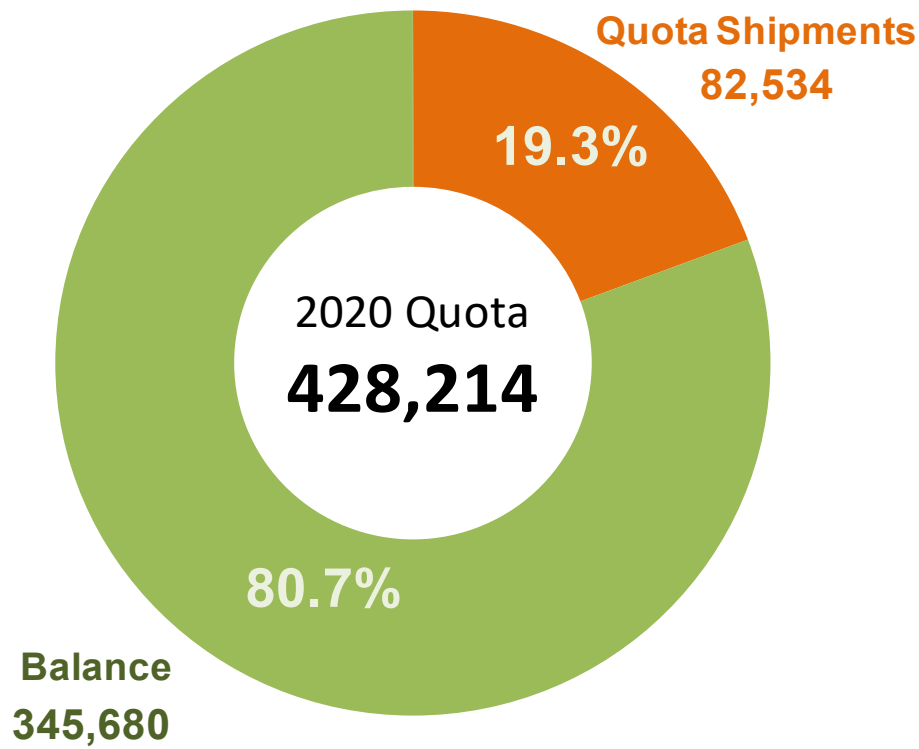
Imports as of April 4, 2020



Australian Beef Quota Position

6-Apr-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending April 6. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

