



US Imported Beef Market

A Weekly Update

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

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Market Highlights for the Week:

- Monday holiday resulted in a lower slaughter last week but the overall pace of livestock processing continues to increase. The main bottlenecks for plants at this time are fabrication lines, resulting in lower supplies and higher prices of small, labor intensive items,
- The price of 50CL beef by the end of the week was under \$100/cwt, compared to near \$300/cwt three weeks ago.
- Prices for 90CL fresh domestic grinding beef gained \$3/cwt last week to close at \$307. High domestic lean beef prices continue to underpin demand for imported lean product. Current high prices are encouraging more offerings from South America at sharp discount to both US domestic product and Australian or New Zealand beef.
- Drought pressures are increasing in parts of the Southern Plains. Pasture conditions are currently 17 points below year ago.

Imported Market Activity for the Week

Imported beef prices were firm again last week but trading appeared to slow down later in the week even as domestic lean beef values continued to hold very firm. Market participants have noted the correction in domestic wholesale prices and they are being cautious about covering forward needs. These are very fast markets and most continue to proceed with caution. Dramatic collapse in the price of fat beef trimmings has significantly impacted trading of fatter imported product as well. USDA quoted the price of

50CL beef on Friday at \$89/cwt, down from over \$300 per cwt just three weeks ago. While in the last three weeks we saw a notable improvement in the value of 65CL, 75CL and 80CL product, the trend at this point is down. Lower prices for fat trim have bolstered demand for lean product, at least in the near term. Packers are still short lean supply for their ground beef packages and the value of fed cuts remains too high relative to the price of cow lean grinding product. On Friday USDA quoted 90CL domestic fresh boneless beef at \$307/cwt and the average for the week was \$306, up from \$303 the previous week and \$224 a year ago.

US Imports of Fresh/Frozen and Prepared Beef in 2019 and Potential 2020 Volume. MT. Prod. wt. Basis.

Source: USDA-FAS & Steiner Consulting. Prepared May 28, 2020.

	Fresh/Frozen				Cooked/Processed				Total 2019 + 2020 Outlook			
	2018	2019	ch.	%	2018	2019	ch.	%	2019	2020	ch.	%
Argentina	0.5	1623.1	1,623		24.3	12.2	(12)	-50%	1,635	11,500	9,865	
Australia	223,387	237,898	14,511	6%	1,071	1,002	(69)	-6%	238,900	214,725	(24,174)	-10.1%
Brazil	-	-	-		34,546	39,874	5,328	15%	39,874	46,015	6,141	15.4%
Canada	270,417	288,713	18,296	7%	6,731	6,210	(521)	-8%	294,923	267,105	(27,819)	-9.4%
Nicaragua	52,909	61,453	8,544	16%	-	-			61,453	70,699	9,247	15.0%
Ireland	1,379	3,430	2,051	149%	-	-			3,430	5,858	2,428	70.8%
Costa Rica	7,888	7,653	(236)	-3%	-	-			7,653	12,665	5,012	65.5%
N. Zealand	186,290	128,709	(57,582)	-31%	3,382	3,666	284	8%	132,375	134,518	2,143	1.6%
Mexico	189,746	215,129	25,383	13%	1,456	1,645	189	13%	216,773	246,060	29,287	13.5%
Uruguay	29,987	30,321	334	1%	5,992	6,830	837	14%	37,151	36,576	(574)	-1.5%
Other	4,429	4,828	399	9%	104	32	(72)	-70%	4,860	5,972	1,113	4.0%
World Total	966,432	978,133	11,701	1%	53,282	59,258	5,976	11%	1,039,026	1,051,694	12,667	1.2%

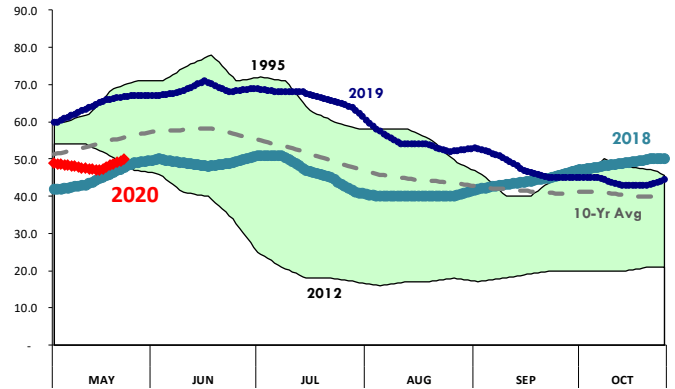
Key factors for the week:

- US livestock slaughter continues to increase but product availability is uneven, affected by shortage of labor in fabrication lines. Boneless product and trim continues to be high priced relative to other cuts that require less labor. For the week US cattle slaughter down 11% from a year ago and Canada cattle slaughter was down 12%. We estimate that non-fed cattle slaughter last week was 112,000 head, 4.1% lower than a year. Slaughter plants were closed on Monday, May 25 due to the Memorial Day holiday. We expect non-fed cattle slaughter this week to be 128,000 head, 3.3% lower than a year ago.

- We have a somewhat different view of US beef import outlook for 2020 than USDA. In its latest report, USDA noted that they expect US beef imports to be down 5% in 2020. The table on page 1 shows our current thoughts on beef imports for the year, expecting total volume to actually increase (modestly) from a year ago. Rather than having one number, we thought it would be useful to break out imports for most countries in the past year and look at potential supply this year. So while Australian imports are indeed expected to decline, the reduction is expected to be offset by higher imports from a number of smaller markets, including Brazil and Argentina. We are already seeing a notable increase in offerings from both countries, especially Argentina. As we noted last week, lean beef product from these two countries still has a big discount to Australian and New Zealand product. Major buyers still have to do some work in order to include this product in their specs. However, with a spread of as much as \$80/cwt between imported frozen South American lean beef and domestic, there is a very strong incentive to consider. Some US end users are also testing round cuts from Argentina and Brazil at this time. Depending on how product performs, we could see bigger reorders in the coming months. We expect total beef imports from Argentina at this point to be up almost 10,000 MT from a year ago but we do not expect quota to be an issue. Brazil imports have had a much slower start than we expected and strong China demand continues to pull a lot of product in that direction. At this time we think Brazil beef imports will be up by about 6000 MT but the volume available in that market and the volatility in China demand could cause significantly more product to come to the US. So we see much more upside to forecasts for Brazilian product. Imports from Canada are down

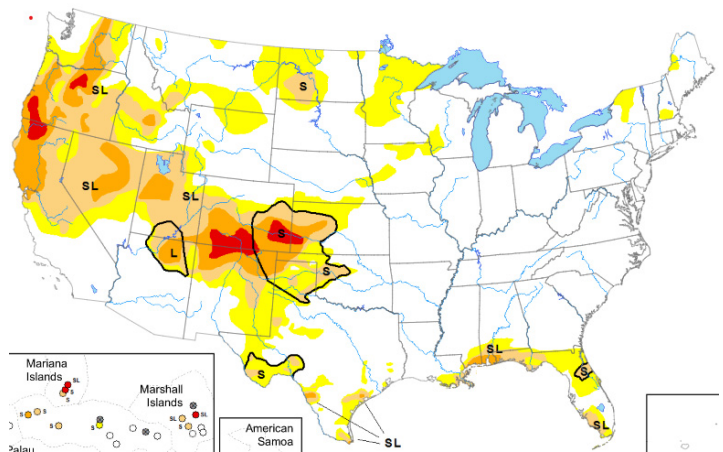
US PASTURE CONDITIONS: 25 YEAR HISTORY

% RATED IN GOOD/EXCELLENT CONDITION. Latest week is for May 24, 2020. Source USDA/NASS

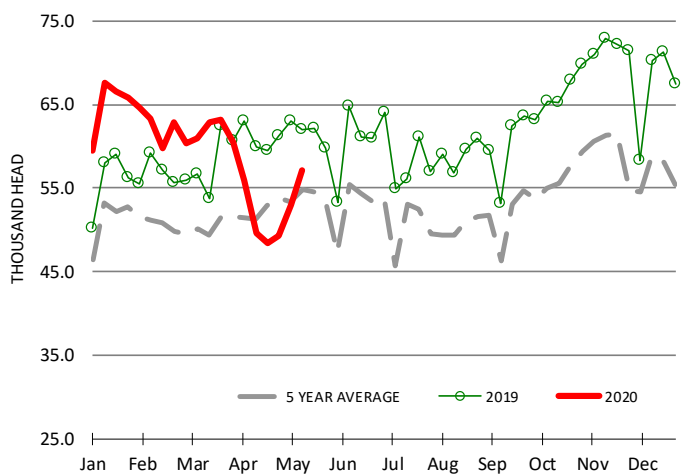


Drought Monitor as of May 28, 2020

Source: NOAA



US WEEKLY BEEF COW SLAUGHTER



but that reduction is expected to be almost all offset by higher imports from Mexico. And one should also not forget the consistent increase from Central America and strong growth in Irish beef imports.

- US pasture and range conditions this year are well behind year ago levels. For the week ending May 25 USDA noted that 50% of pastures and ranges were in good/excellent condition. This compares to 67% a year ago and 56% average in the past 10 years. June moisture is critical for pastures during the summer months and we are paying attention to developing dry areas in Western Kansas and the Texas Panhandle. If drought conditions expand East and North, we could see more pressure on grazing conditions and more cows being pushed to slaughter. The situation is further complicated by the fact that plants which slaughter fed and non fed cattle are currently giving priority to fed cattle. This could mean more downward pressure on cull cow prices even as wholesale lean beef values remain well supported.

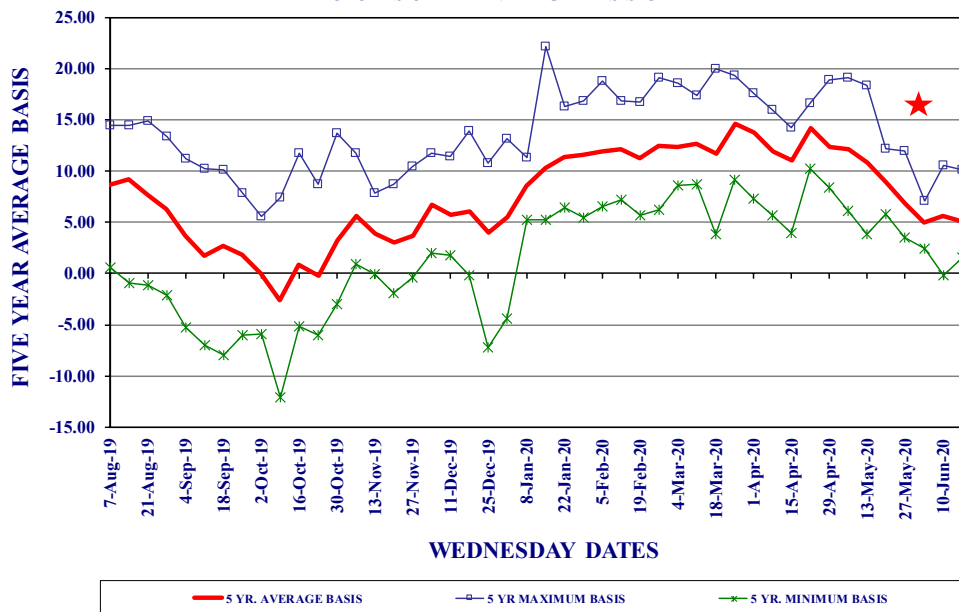
- Even as most US cattle, hog and poultry processing plants have recovered, COVID remains a factor that is slowing down production. Market participants worry about more waves of infection that could curtail supplies this summer and fall. Last week Tyson Foods, one of the largest US meat processing companies, announced that they would halt production in a big hog slaughter plant. We are continuing to monitor the increase/decrease in the number of COVID cases in the counties where plants are located. Eight of the 30 counties that have major cattle processing plants showed more new cases this past week than 14 days ago. This compares to 10 out of 30 for counties that have hog slaughter facilities. Overall the trend is down and the number of new cases is declining.

- US/China relations continue to deteriorate, with Trump today announcing US will pull out of WHO and roll back special status for Hong Kong. As tensions escalate this is seen as negative for trade relations. New pork sales to China have been minimal the last three weeks and there are growing concerns about grain exports to that market. Soybean futures on Friday were under pressure for much of the day given turbulence in the relationship with China, the main export destination.

- Crude oil continues to gain ground today, with WTI prices now above \$35 per barrel. Saudi Arabia and other oil producers appear to agree to extend production cuts through June although they have still to get agreement from Russia. There is also speculation that production cuts will be kept in place past June, helping prop up prices at a time that global demand is slowly recovering.

- US fed cattle futures for the summer months have gained in the last three weeks as slaughter pace at processing plants has recovered. High wholesale prices have allowed packers to pay up for cattle delivering in the next two weeks, resulting in a wide basis (difference between spot cash and futures). In the near term the wide basis remains bullish for cattle. However, it is important to recognize when looking at cattle futures that this is a deliverable contract. While packers may opt to pay up for cash cattle that they purchase, there is still a large number of cattle that have been backed up and thus feedlots that could deliver cattle to those that hold futures contracts at expiration. So there is significant risk in holding a June futures contract given the current cattle supply imbalance.

FIVE AREA DIRECT AVERAGE LIVE STEER PRICE MINUS JUNE LIVE CATTLE FUTURES 5 YEAR AVERAGE BASIS CHART



Basis:
~\$16/cwt

Last week:

Cash mkt:
\$115.81

June futures:
\$99.725

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
	28-May-20	21-May-20		30-May-19	
CME FEEDER CATTLE INDEX	129.36	126.24	2.5%	132.47	-2.3%
	29-May-20	22-May-20		31-May-19	
FED STEER (5-MKT AVG)	115.81	117.15	-1.1%	115.82	0.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	127.50	127.50	0.0%	90.50	40.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	128.50	127.50	0.8%	93.00	38.2%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	110.50	111.50	-0.9%	92.00	20.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	238.26	242.66	-1.8%	154.79	53.9%

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
	29-May-20		22-May-20			31-May-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	265.0		260.0	265.0	0.0	230.0	233.0	32.0
90 CL Blended Cow	240.0	250.0		240.0	10.0	207.0	208.0	42.0
90 CL Shank	250.0	252.0	240.0	245.0	7.0		207.0	45.0
85 CL Fores	220.0	225.0		225.0	0.0	197.0	198.0	27.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	260.0	264.0	259.0	263.0	1.0	230.0	231.0	33.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	220.0	221.0	222.0	223.0	-2.0		197.0	24.0
80 CL Trimmings	210.0	212.0		215.0	-3.0	186.0	188.0	24.0
75 CL Trimmings		UNQ		UNQ	N/A	178.0	179.0	N/A
65 CL Trimmings		UNQ	150.0	160.0	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, CIF</u>								
Cap Off Steer Insides	310.0	315.0	340.0	350.0	-35.0		280.0	35.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		290.0	290.0	295.0	-5.0	225.0	230.0	60.0
Steer Knuckles	280.0	285.0	280.0	285.0	0.0	240.0	245.0	40.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	29-May-20	28-May-20	22-May-20	21-May-20		31-May-19	30-May-19	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	275.0	280.0	275.0	280.0	0.0	239.0	241.0	39.0
90 CL Blended Cow	263.0	265.0	260.0	265.0	0.0	218.0	220.0	45.0
90 CL Shank	267.0	268.0		265.0	3.0	217.0	218.0	50.0
85 CL Fores		240.0	240.0	245.0	-5.0		207.0	33.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	275.0	276.0	275.0	277.0	-1.0	239.0	240.0	36.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	236.0	238.0	240.0	242.0	-4.0	206.0	207.0	31.0
80 CL Trimmings	220.0	222.0	224.0	225.0	-3.0	197.0	198.0	24.0
75 CL Trimmings	210.0	214.0	210.0	215.0	-1.0	188.0	189.0	25.0
65 CL Trimmings		UNQ	165.0	170.0	N/A		UNQ	N/A
<u>US East Coast Australian Cuts, FOB US Port</u>								
Cap Off Steer Insides	330.0	340.0	370.0	380.0	-40.0	285.0	290.0	50.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	310.0	315.0	330.0	335.0	-20.0	230.0	235.0	80.0
Steer Knuckles		310.0	310.0	315.0	-5.0	255.0	260.0	50.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	29-May-20			22-May-20			31-May-19				
	Low	High	Wt.Avg	Low	High	Wt.Avg	Low	High	Wt.Avg		
<u>Domestic Cutouts</u>											
Choice Cutout	363.34			396.74			-33.4	223.21		140.1	
Select Cutout	340.07			374.18			-34.1	207.69		132.4	
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	301.0	311.0	306.2	291.5	332.5	302.8	3.4	222.0	228.0	223.8	82.4
85 CL Beef Trimmings	246.0	312.0	272.0	230.0	284.0	264.5	7.4	197.5	206.0	199.8	72.1
50 CL Beef Trim	71.0	170.5	103.2	65.0	284.5	155.0	-51.8	81.0	92.9	86.7	16.4
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	46.0	101.3	56.1	28.6	99.5	51.6	4.5	42.7	60.3	49.8	6.4
72 CL Pork Trim	118.0	166.3	135.1	88.9	186.5	128.8	6.3	73.0	112.8	86.1	49.0
<u>Point of Lean Values</u>											
90 CL Domestic	340.3			336.5			3.8	248.7		91.6	
50 CL Beef Trimming	206.3			310.0			-103.6	173.5		32.8	
42 CL Pork Trim	133.6			122.8			10.8	118.5		15.1	
72 CL Pork Trim	187.7			178.9			8.8	119.6		68.1	
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	115.81			117.15			-1.3	115.82		0.0	

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	29-May-20	21-May-20			30-May-19	
<u>Live Cattle Futures</u>						
June '20	99.725	98.800	↑	0.93	110.075	↓ -10.35
August '20	99.600	98.225	↑	1.38	105.050	↓ -5.45
October '20	101.425	99.900	↑	1.52	105.675	↓ -4.25
December '20	104.700	102.800	↑	1.90	110.075	↓ -5.38
<u>Feeder Cattle Futures</u>						
August '20	135.350	128.875	↑	6.47	138.225	↓ -2.88
September '20	135.750	130.125	↑	5.63	138.525	↓ -2.78
November '20	136.050	132.025	↑	4.03	138.700	↓ -2.65
January '21	134.225	131.075	↑	3.15	137.125	↓ -2.90
<u>Corn Futures</u>						
July '20	325.750	317.750	↑	8.00	436.250	↓ -110.50
September '20	330.000	323.000	↑	7.00	445.250	↓ -115.25
December '20	338.750	333.000	↑	5.75	452.250	↓ -113.50
March '20	350.250	345.500	↑	4.75	459.250	↓ -109.00
<u>Ch Wheat Futures</u>						
July '20	520 3/4	516	↑	4.75	514 1/2	↑ 6.25
September '20	523 1/2	518 3/4	↑	4.75	522 1/4	↑ 1.25
December '20	532 1/4	527	↑	5.25	535 1/2	↓ -3.25
March '20	540 1/4	534 1/4	↑	6.00	548 1/2	↓ -8.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	30-May-20	23-May-20			1-Jun-19	
Total Cattle Slaughter	524,000	555,000	↓	-31,000	588,000	↓ -64,000
	16-May-20	9-May-20			18-May-19	
Total Cow Slaughter	116,895	113,910	↑	2,985	120,384	↓ -3,489
Dairy Cow Slaughter	56,030	56,765	↓	-735	58,207	↓ -2,177
Beef Cow Slaughter	60,865	57,145	↑	3,720	62,177	↓ -1,312

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

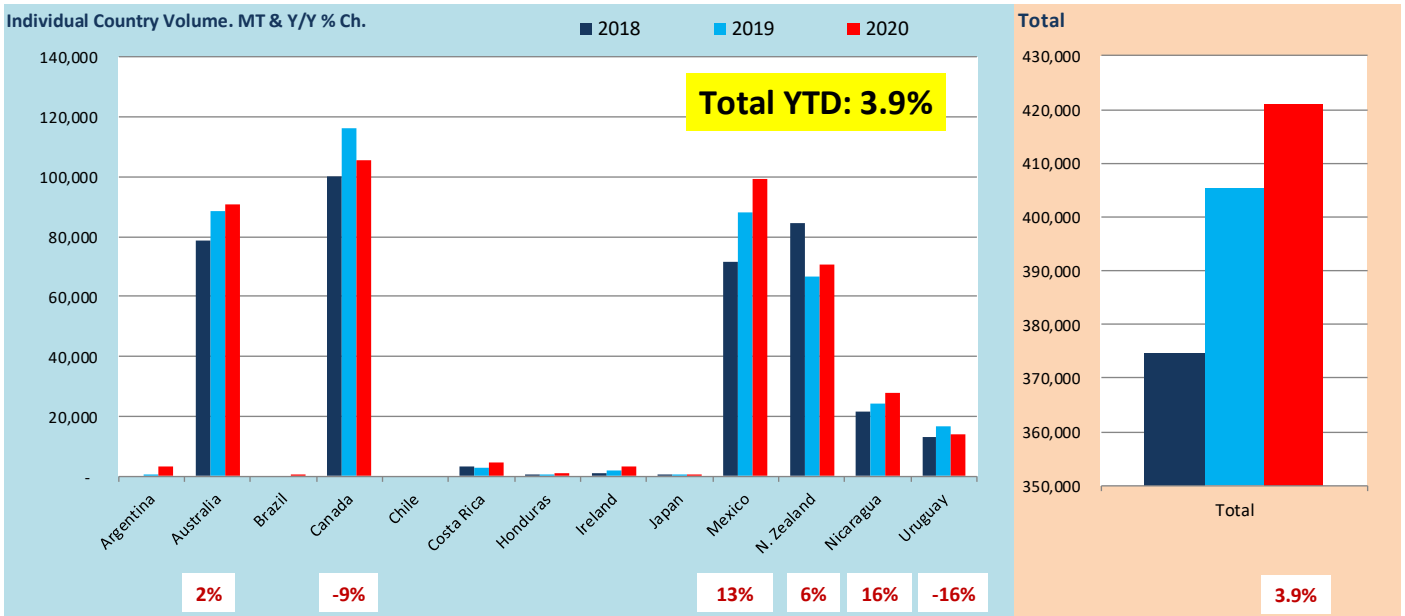
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 21	5/25/2019	5/23/2020		
Argentina	14	3,632	3,618	
Australia	94,854	95,660	806	0.8%
Brazil	-	107	107	
Canada	120,707	110,343	(10,364)	-8.6%
Chile	-	-	-	
Costa Rica	3,082	4,920	1,838	59.6%
France	-	-	-	
Honduras	516	1,231	715	138.6%
Ireland	1,944	3,289	1,345	69.2%
Japan	246	154	(92)	-37.4%
Mexico	92,384	106,836	14,452	15.6%
Netherlands	-	-	-	
New Zealand	70,865	74,630	3,765	5.3%
Nicaragua	25,231	29,247	4,016	15.9%
Spain	-	-	-	
Uruguay	17,528	14,867	(2,661)	-15.2%
Total	427,371	444,915	17,544	4.1%

Source: AMS - USDA

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

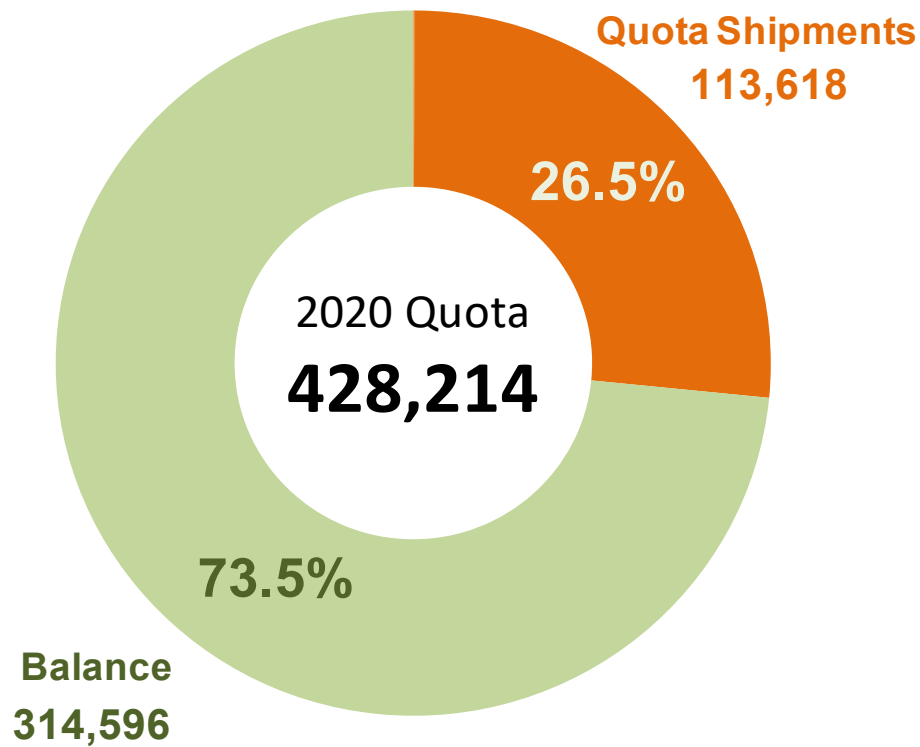
Imports as of May 16, 2020



Australian Beef Quota Position

28-May-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending May 18. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

