



# US Imported Beef Market

## A Weekly Update

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### Market Highlights for the Week:

- Cattle slaughter last week hit 680k head, 1.4% higher than a year ago and the highest weekly slaughter so far this year. Carcass weights are higher than a year ago and beef production for the week was estimated up 5.3% from a year ago.
- Total supply of beef in cold storage at the end of May was 415.2 million pounds, 13.4% lower than the previous month but still about 2.5% higher than the previous year. Record beef prices in May caused end users to deplete inventories, limit supply they purchase for export.
- China new COVID requirements for imports sow anxiety among South American suppliers. Increase in South American offerings seen as part of the reason for the sharp correction in imported values last week.
- About 60% of Brazilian exports went to China/Hong Kong in May while Argentina shipped almost 90% of its beef exports to that market.

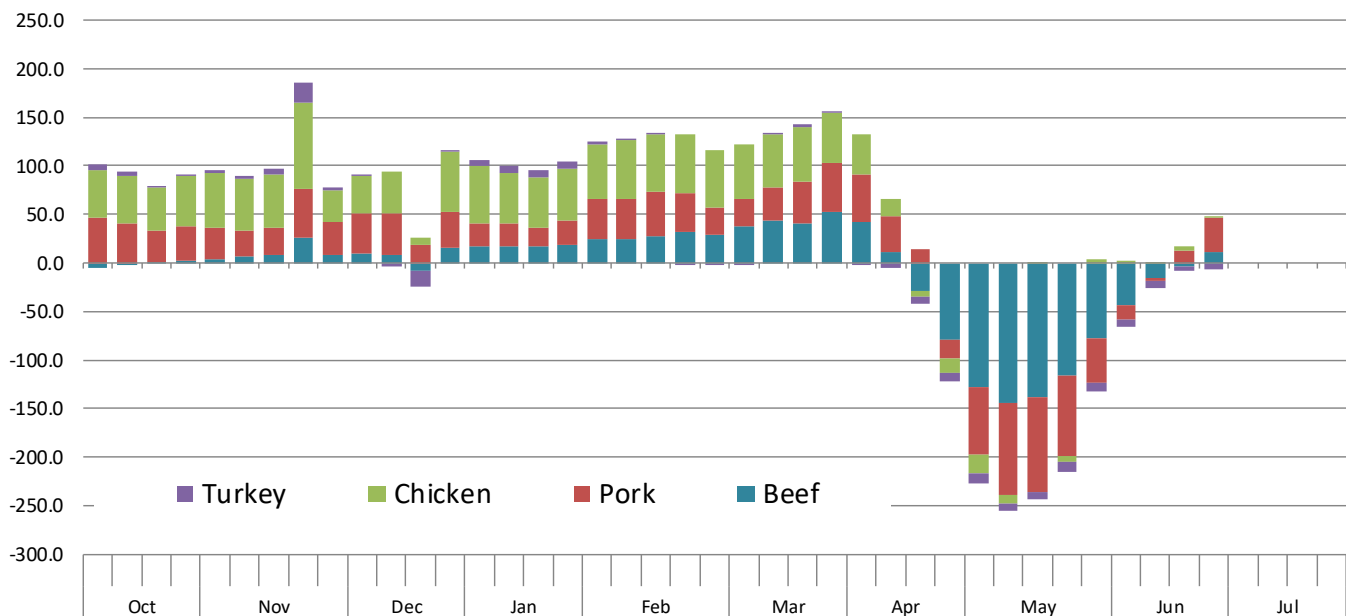
### Imported Market Activity for the Week

**Imported beef prices were sharply lower last week on a combination of lower domestic lean beef values, increasing meat protein supplies in the US, the seasonal slowdown in demand and more competition from South and Central American suppliers.** Lean beef values were down as much as 15 cents per pound as US end users seem content to sit on the sidelines on a quickly deflating market. Some market partici-

pants highlighted the impact that current Chinese COVID testing policy is having on imported trade. Offerings from South America have reportedly increased significantly although that has yet to show up in the import data. There is usually a lag of a few weeks between the time product is booked and when it enters in the US. Reports from South America note that packers there have had to undergo rapid remote audits from Chinese health officials. This is not just a matter of filling out a form attesting that the product a plant ships

### Weekly Increase in **Beef, Pork, Chicken and Turkey Prod.** vs. Yr. Ago. 4-wk Mov. Avg.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports

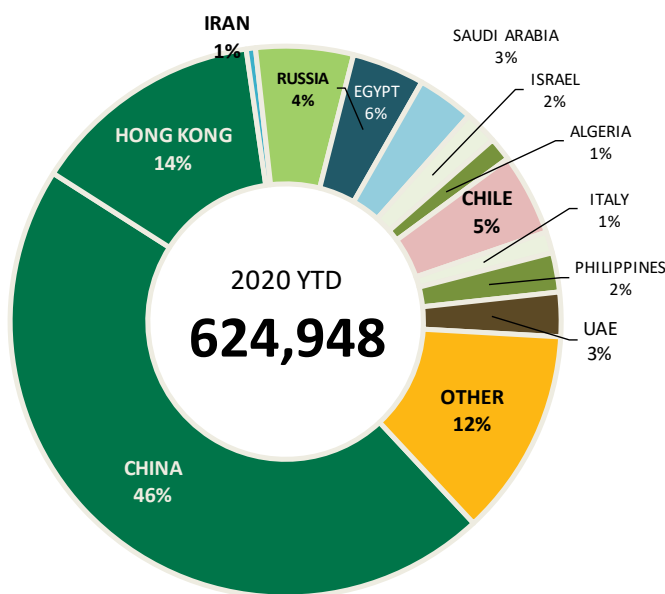


to China is free of COVID-19. Rather, Chinese officials want to know the steps a facility is taking to control for the spread of the virus. The new policies have heightened the risk that a plant may be delisted while product is on route. We cannot overstate how important the Chinese market has become for Brazilian and Argentine packers, hence the extreme unease about recent COVID requirements. Chinese buyers were very aggressive in securing product from Brazil, Uruguay and Argentina in May. **Brazilian statistics show that fresh/frozen beef shipments to China in May were 83,942 MT, 180% higher than a year ago.** In the first five months of the year Brazilian exports to China were 287,398 MT, 161,710 MT or 129% higher than the same five month period a year ago. Additionally, exports to Hong Kong in May were 22,579 MT, 19% higher than a year ago. Exports to China and Hong Kong in the first five months of the year accounted for 60% of all Brazilian beef exports. Argentine exports of fresh/frozen beef in May were 57,927 MT, about 11,400 MT or 24% higher than a year ago. Exports to China were 51,471 MT, up 43% from last year and accounting for almost 90% of all exports. Brazil and Argentina now have access to the US market but the volume they have shipped has been relatively small. That could quickly change should trade with China be disrupted.

In the last couple of weeks we have highlighted the fact that retail prices have responded to the sharp spike during May and consumers are now facing significant price inflation, resulting in a slowdown in quantity demanded. **The increase in retail prices has come at a time when domestic meat protein supplies have largely recovered and they are currently above year ago levels.** For the week ending June 26, production of beef, pork, chicken and turkey was estimated at 2.083 billion pounds, 5% higher than the same week a year ago. Beef production for the week was estimated at 562.3 million pounds, 28.5 million pounds or 5.3% higher than a year ago. Pork production for the week was estimated at 573.8 million pounds, 68.6 million pounds or 13.6% higher than a year ago. Broiler slaughter at 839 million is also running slightly ahead of last year even as slaughter is well under last year—a consequence of heavier weight birds coming to market. But, from the retailer perspective, the increase in total pounds produced may not be enough. Over the years the US retail industry has developed whereby they rely on packers to provide case ready product. A study done a few years ago estimated that as much as

## Brazil Fr/Fz. Beef Exports

Fresh/Frozen Beef, Jan - May 2020



### China Beef Imports in Jan - May 2020. Metric Ton.

Source: China Customs

Import Partners	5/1/2019	5/1/2020	Y/Y MT	Y/Y %	Jan -May 2019	Jan - May 2020	Y/Y MT	Y/Y %
Brazil	23,270	44,119	20,849	90%	124,022	286,207	162,185	131%
Uruguay	26,285	18,224	(8,061)	-31%	114,267	95,339	(18,927)	-17%
Argentina	24,427	27,077	2,650	11%	118,766	179,907	61,142	51%
Australia	23,885	26,089	2,204	9%	102,978	139,191	36,213	35%
New Zealand	20,307	16,737	(3,570)	-18%	81,390	74,478	(6,912)	-8%
Canada	2,145	908	(1,236)	-58%	7,171	3,157	(4,014)	-56%
South Africa	-	663	663	#DIV/0!	1,873	3,498	1,624	87%
Costa Rica	854	1,533	679	79%	4,029	6,081	2,051	51%
United States	624	1,225	601	96%	2,904	4,704	1,800	62%
Other	1,924	5,844	3,920	204%	6,640	27,589	20,949	315%
<b>Total</b>	<b>123,720</b>	<b>142,419</b>	<b>18,699</b>	<b>15%</b>	<b>564,041</b>	<b>820,151</b>	<b>256,110</b>	<b>45%</b>

75% of all the beef, pork and chicken in the retail meat case was case ready. This means that packers need not only get animals slaughtered but also fabricate and trim specific cuts to retailer specs. That remains a challenge. For the last few months Steiner has been tracking the spread of coronavirus in counties where major meat plants are located. Last week, half of the counties where major beef and pork plants were located had more new coronavirus cases than two weeks ago. The increase in cases means continuing holes in fabrication lines and high prices for case ready product even as on a carcass weight basis supply has increased.

Quick takes on key commodity market developments from last week:

- The **total supply of beef in cold storage at the end of May was 415.2 million pounds, 13.4% lower than the previous month but still about 2.5% higher than the previous year.** The recent drawdown is similar to what happened in May 2017, a year that also saw a big jump in prices during May. That year May beef cold storage stocks dropped 10% from the previous month. High beef trim prices caused users to work out of the freezer and limit as much as possible buying in the spot market.

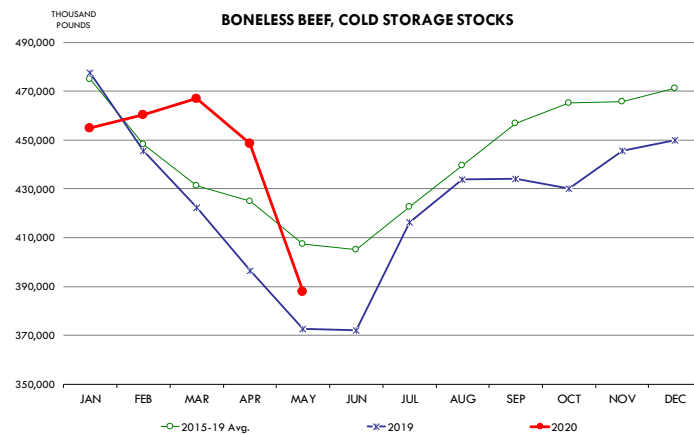
- As noted previously, cattle and hog slaughter has fully recovered compared to a year ago at this point. Cattle slaughter last week hit 680k head, 1.4% higher than a year ago and the highest weekly slaughter so far this year. Carcass weights are higher than a year ago and beef production for the week was estimated up 5.3% from a year ago.

- Hog slaughter for the week hit 2.641 million head, almost 11% above year ago levels. USDA inventory survey showed a significant backlog of hogs on farms, incentivizing the ramp up in slaughter. Slaughter will be lower next week due to 4th of July holiday so some packers were trying to run as hard as they could this week. Pork production for the week was estimated 13.6% above year ago.

- Broiler slaughter for the week ending June 20 was down 4.5% from a year ago. Broiler weights are higher than a year ago so total production was down only 2.4%. We think slaughter/production for week ending June 26 will be up slightly from a year ago. Turkey slaughter for the week was down 4.5% and combined with lighter weights (more hens in the mix) turkey production was down 6.6%. Lack of processing demand continues to hold breast meat prices in check while tight supplies have bolstered prices for whole birds.

- Drought conditions in Western Kansas, Oklahoma and Texas Panhandle are getting worse. We have seen an uptick in beef cow slaughter, reflecting increasing drought pressures.

- Corn futures are drifting lower as market awaits two key reports: the quarterly grain stocks and acres planted. Grain stocks should offer an idea on how demand was the previous quarter and the supply that will be carried over into the summer. Plantings estimates expect USDA to revise down corn plantings by 2 million acres. This year plantings were ahead of time. Did that incentivize



farmers to plant more corn than expected? Funds have major short positions, suggesting they expect a bearish surprise.

- Soybean futures also moving lower in tandem with corn and no major weather threats.

- Wheat prices were hammered today as traders look to shore up positions ahead of the key production and inventory reports next week. Statistics Canada expected to show wheat plantings up 1 million acres compared to a year ago. French milling wheat futures down 0.6% from previous close. Wheat harvest is just starting in Europe and prices are starting to come under some harvest pressure. International Grains Council raised its estimates of global wheat production on Thursday, quoting improved outlook in Australia and China, offsetting the downward revision in EU wheat production.

- Locust swarm damage in Argentina and Brazil has been limited so far. The insect swarm is currently located in the northeastern corner of Argentina, covering an area of 15 square km. Wire reports note the swarm of 40 million insects has the potential to inflict significant damage to the current soybean and wheat crop but so far there has been minimal impact. Crude oil prices followed the equities lower on worries that new wave of coronavirus will crimp demand..

# CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	25-Jun-20	18-Jun-20		27-Jun-19	
CME FEEDER CATTLE INDEX	130.04	128.01	1.6%	132.61	-1.9%
	26-Jun-20	19-Jun-20		28-Jun-19	
FED STEER (5-MKT AVG)	96.43	101.17	-4.7%	110.37	-12.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	128.50	127.50	0.8%	91.50	40.4%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	129.50	128.50	0.8%	100.00	29.5%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	115.50	115.00	0.4%	96.50	19.7%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	199.43	202.19	-1.4%	154.79	28.8%

### 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
	26-Jun-20	245.0	19-Jun-20	259.0		28-Jun-19		
<b><u>US East Coast Australian/NZ Lean, CIF</u></b>								
<b>95 CL Bull, E. Coast</b>	235.0	245.0	255.0	259.0	-14.0	240.0	244.0	1.0
<b>90 CL Blended Cow</b>	215.0	225.0	230.0	235.0	-10.0	220.0	222.0	3.0
<b>90 CL Shank</b>	220.0	225.0	235.0	240.0	-15.0	218.0	220.0	5.0
<b>85 CL Fores</b>	200.0	210.0	215.0	220.0	-10.0	204.0	206.0	4.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	235.0	240.0	255.0	258.0	-18.0	240.0	242.0	-2.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, CIF</u></b>								
<b>85 CL Trimmings</b>	200.0	207.0	215.0	218.0	-11.0	201.0	205.0	2.0
<b>80 CL Trimmings</b>	190.0	195.0	208.0	210.0	-15.0	193.0	196.0	-1.0
<b>75 CL Trimmings</b>	175.0	180.0		UNQ	N/A	185.0	187.0	-7.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, CIF</u></b>								
<b>Cap Off Steer Insides</b>	285.0	295.0	300.0	305.0	-10.0	287.0	289.0	6.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>	260.0	265.0	275.0	280.0	-15.0	256.0	259.0	6.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	26-Jun-20	25-Jun-20	19-Jun-20	18-Jun-20		28-Jun-19	27-Jun-19	
<b><u>US East Coast Australian/NZ Lean, FOB US Port</u></b>								
<b>95 CL Bull, E. Coast</b>	250.0	255.0	268.0	270.0	-15.0	247.0	252.0	3.0
<b>90 CL Blended Cow</b>	230.0	235.0	245.0	246.0	-11.0	228.0	230.0	5.0
<b>90 CL Shank</b>	230.0	234.0	248.0	250.0	-16.0	228.0	229.0	5.0
<b>85 CL Fores</b>	220.0	222.0	225.0	228.0	-6.0	210.0	212.0	10.0
<b>85 CL Chucks</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>95 CL Bull, W. Coast</b>	250.0	253.0	267.0	269.0	-16.0	247.0	250.0	3.0
<b>Uruguay CFH 90CL, E. Coast</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast, Trimmings, FOB US Port</u></b>								
<b>85 CL Trimmings</b>		220.0	225.0	226.0	-6.0	209.0	213.0	7.0
<b>80 CL Trimmings</b>	208.0	210.0	215.0	216.0	-6.0	203.0	205.0	5.0
<b>75 CL Trimmings</b>	195.0	200.0	200.0	205.0	-5.0	193.0	195.0	5.0
<b>65 CL Trimmings</b>		UNQ		UNQ	N/A		UNQ	N/A
<b><u>US East Coast Australian Cuts, FOB US Port</u></b>								
<b>Cap Off Steer Insides</b>		310.0	315.0	320.0	-10.0	293.0	295.0	15.0
<b>Steer Insides 14/18</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Flats</b>		UNQ		UNQ	N/A		UNQ	N/A
<b>Steer Knuckles</b>	275.0	280.0	290.0	295.0	-15.0	265.0	268.0	12.0

**TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES**

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year			
	26-Jun-20	19-Jun-20	28-Jun-19	Low	High	Wt.Avg	Low	High	Wt.Avg	Low	High	Wt.Avg
<b><u>Domestic Cutouts</u></b>												
<b>Choice Cutout</b>	207.17	213.72	219.66				-6.6					-12.5
<b>Select Cutout</b>	198.85	203.91	195.56				-5.1					3.3
<b><u>Domestic Lean Grinding Beef</u></b>												
<b>90 CL Boneless</b>	240.0 267.0 256.4	220.0 285.8 263.8	223.0 229.0 224.0				-7.4					32.5
<b>85 CL Beef Trimmings</b>	217.0 261.3 229.0	176.0 265.0 227.4	195.5 207.0 201.0				1.6					27.9
<b>50 CL Beef Trim</b>	42.0 94.0 67.5	47.5 90.9 79.7	85.8 106.5 93.8				-12.2					-26.3
<b><u>Domestic Pork Trim</u></b>												
<b>42 CL Pork Trim</b>	42.0 84.5 55.2	56.0 95.5 66.6	38.7 58.0 42.2				-11.4					13.0
<b>72 CL Pork Trim</b>	53.0 115.3 67.4	61.0 128.8 91.1	60.3 103.0 71.2				-23.8					-3.8
<b><u>Point of Lean Values</u></b>												
<b>90 CL Domestic</b>	284.9	293.1	248.9				-8.2					36.1
<b>50 CL Beef Trimming</b>	134.9	159.3	187.5				-24.4					-52.6
<b>42 CL Pork Trim</b>	131.4	158.6	100.5				-27.2					30.9
<b>72 CL Pork Trim</b>	93.6	126.6	98.9				-33.0					-5.3
<b><u>National Direct Fed Steer (5-day accum. wt. avg. price)</u></b>	96.43	101.17	110.37				-4.7					-13.9

**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>	
	<b>26-Jun-20</b>	<b>18-Jun-20</b>			<b>27-Jun-19</b>		
<b><u>Live Cattle Futures</u></b>							
June '20	94.700	96.075	↓	-1.38	110.575	↓	-15.88
August '20	96.025	96.100	↓	-0.07	105.350	↓	-9.32
October '20	99.475	99.400	↑	0.08	106.325	↓	-6.85
December '20	103.075	103.275	↓	-0.20	110.925	↓	-7.85
<b><u>Feeder Cattle Futures</u></b>							
August '20	132.600	132.975	↓	-0.38	135.800	↓	-3.20
September '20	133.775	134.250	↓	-0.47	136.100	↓	-2.32
November '20	135.675	135.675	↓	0.00	136.575	↓	-0.90
January '21	135.225	134.925	↑	0.30	134.750	↑	0.47
<b><u>Corn Futures</u></b>							
July '20	317.000	331.000	↓	-14.00	440.000	↓	-123.00
September '20	319.250	335.500	↓	-16.25	445.750	↓	-126.50
December '20	325.250	342.750	↓	-17.50	451.000	↓	-125.75
March '20	336.750	354.000	↓	-17.25	456.750	↓	-120.00
<b><u>Ch Wheat Futures</u></b>							
July '20	474	483 1/2	↓	-9.50	547 1/2	↓	-73.50
September '20	475 3/4	488 3/4	↓	-13.00	546 3/4	↓	-71.00
December '20	484	498	↓	-14.00	556 3/4	↓	-72.75
March '20	492 3/4	507 1/2	↓	-14.75	565 3/4	↓	-73.00

<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>	
	<b>27-Jun-20</b>	<b>20-Jun-20</b>			<b>29-Jun-19</b>		
<b><u>Total Cattle Slaughter</u></b>	680,000	656,000	↑	24,000	670,000	↑	10,000
	<b>13-Jun-20</b>	<b>6-Jun-20</b>			<b>15-Jun-19</b>		
<b><u>Total Cow Slaughter</u></b>	120,105	119,726	↑	379	117,925	↑	2,180
<b><u>Dairy Cow Slaughter</u></b>	51,873	53,549	↓	-1,676	56,816	↓	-4,943
<b><u>Beef Cow Slaughter</u></b>	68,232	66,177	↑	2,055	61,109	↑	7,123



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

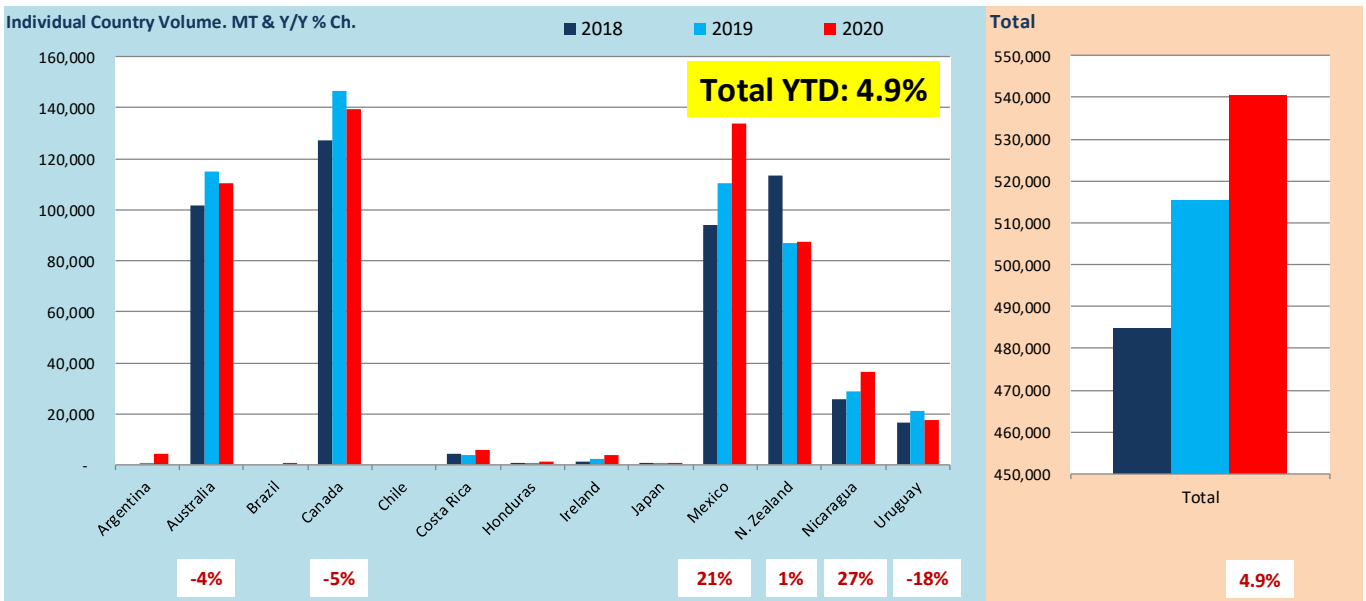
## YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 25	6/22/2019	6/20/2020		
Argentina	87	4,175	4,088	
Australia	114,707	110,526	(4,181)	-3.6%
Brazil	-	321	321	
Canada	146,607	139,233	(7,374)	-5.0%
Chile	-	-	-	
Costa Rica	3,725	5,709	1,984	53.3%
France	-	-	-	
Honduras	516	1,462	946	183.3%
Ireland	2,355	3,699	1,344	57.1%
Japan	269	181	(88)	-32.7%
Mexico	110,268	133,765	23,497	21.3%
Netherlands	-	-	-	
New Zealand	86,845	87,338	493	0.6%
Nicaragua	28,840	36,682	7,842	27.2%
Spain	-	-	-	
Uruguay	21,293	17,563	(3,730)	-17.5%
<b>Total</b>	<b>515,512</b>	<b>540,655</b>	<b>25,143</b>	<b>4.9%</b>

Source: AMS - USDA

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

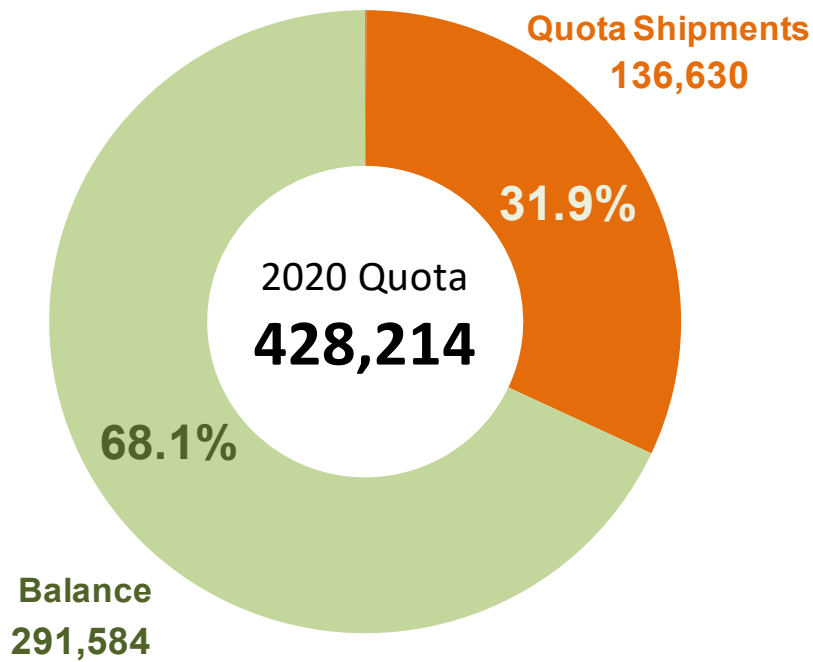
Imports as of June 20, 2020



# Australian Beef Quota Position

25-Jun-20

Metric Ton. Australian Department of Agriculture Statistics



Please note that Australian statistics have not been updated for the last two weeks. We will update once they become available again.

## USA Quota Entries through Week Ending June 20. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

