



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

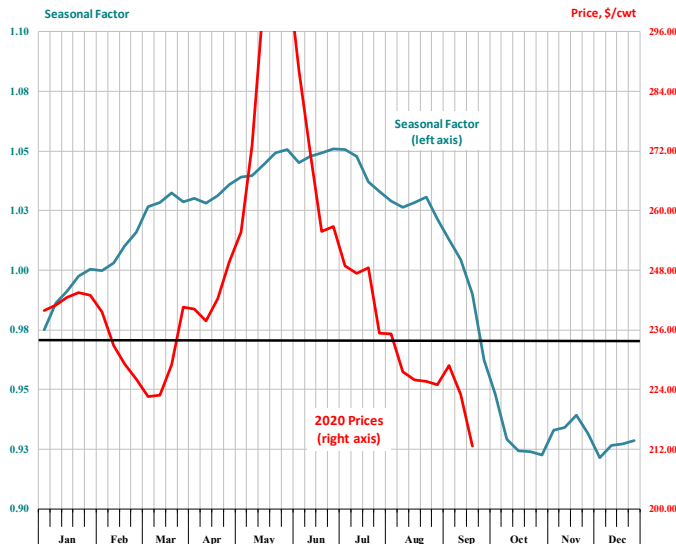
- US beef production for the week was estimated at 540.1 million pounds, 0.7% lower than a year ago. Slaughter was down 2.4% from last year but heavier carcass weights continue to offset much of the decline in production.
- Prices for lean beef have come under pressure, reflecting the normal seasonal tendency for lean beef prices to pull back after Labor Day. This year uncertainty in foodservice demand, lower demand for the school lunch program and ample supplies of inexpensive competing proteins have added to the downward pressure for lean beef.
- Fat beef trim prices are also weak as carcasses are coming to market at much heavier weight than a year ago.
- The supply of imported beef in the four weeks ending September 12 was 23% higher than a year ago. New Zealand contributed the most to the increase, with New Zealand entries almost double what they were last year.
- Argentine beef production forecast to decline 3% next year and exports forecast down 2%.

Imported Market Activity for the Week

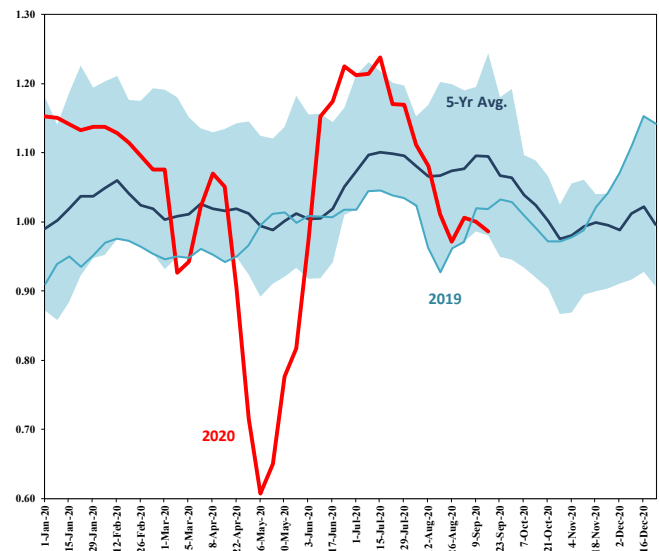
Imported beef trade has been slow to develop and prices were for the most part steady to lower compared to the previous week. Domestic lean beef prices continue to drift lower and very weak fat trim values continue to pressure fattier imported grinds. It is not unusual for US lean grinding beef values to decline after Labor Day (see chart below). While prices this year spiked in May due to slaughter plant COVID disruptions, they have been steadily losing ground. More importantly, grinding beef as a ratio of the wholesale beef index (cutout) was on the higher end of the range

through the summer. The ratio has now flipped and it is near the low end of the range, pointing to weaker demand. The value of imported 80CL for instance is as much as 35 cents above domestic, making it almost but impossible to move unless a user is forced by spec to do so. New Zealand supply availability is limited in the near term, with packers there still unsure as to how Chinese demand will be later in the year. For now they have been reluctant to offer big packages to the US market. However, the slowdown in exports to that market in the first half of the year presents risks and some New Zealand product for delivery later in the year is quietly starting to show up. Austral-

90CL Trim: 5-Yr Seasonal vs. Current Price Trends



Price Ratio of 90CL Boneless Beef vs. Choice Cutout



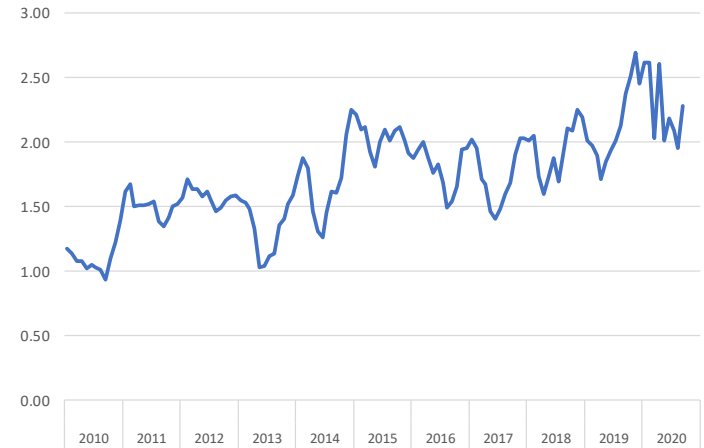
ian product availability is more limited but, even in this case, weak Chinese demand remains a concern. Prices for US round cuts have settled back down but normally prices should be higher in October and November as retailers fill the meat case with roasts and braising items.

Other meat market highlights from the week:

- Lean grinding beef values benefited this summer from robust grilling demand as well as short term supply disruptions due to COVID outbreaks in processing plants. The ratio of 90CL boneless beef in Q2 was 2.26 vs. 1.83 the previous year. The ratio declined to 1.95 in August as supplies recovered but it still was higher than the previous year. So far in September the ratio is once again above 2. The price of 90CL boneless beef last week averaged 2.19 per pound vs. 95 cents for the price of boneless/skinless chicken breasts. US broiler producers sought to limit supply growth during the summer as they faced very stiff competition at retail. However, both egg sets and chick placements have been increasing the last two weeks and broiler supplies could once again run above year ago levels in the fall. The seasonal slowdown in grilling demand, continued uncertainty in foodservice and a decline in purchases for the school lunch program could make for a much more competitive environment for US domestic lean grinding beef. We think this is already being reflected in the downward trend for domestic lean beef values, a trend that may continue since US cow slaughter seasonally picks up in October and November.
- Strong shipments during the summer months continue to bolster the supply of imported beef in the spot market. According to USDA weekly import data, the supply of imported beef during the four weeks ending September 12 was 23,160 MT or 23.7% higher than the same four week period a year ago. The biggest contributor to this increase was New Zealand. It is important to remember that last year New Zealand imports fell sharply due to strong China demand. That situation changed this past spring and summer, with the US once again becoming the top buyer of New Zealand beef. In the last four weeks imports from New Zealand were up almost 6,600 MT or 96% compared to the same four week period a year ago. While imports

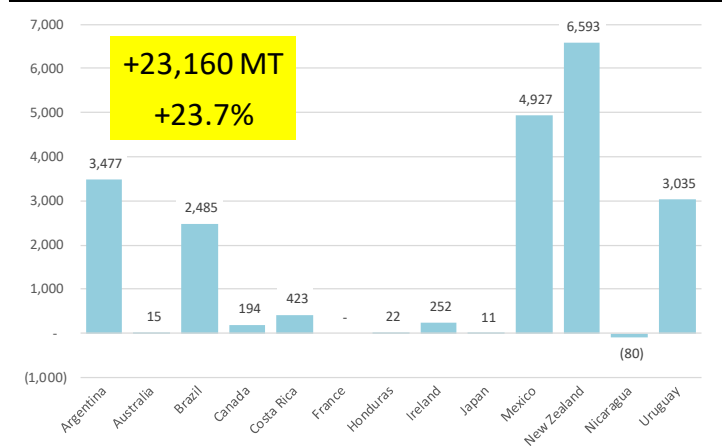
Ratio of 90CL Boneless Beef vs. Boneless/Skinless Chicken Breast

Data source: USDA. Analysis by Steiner Consulting



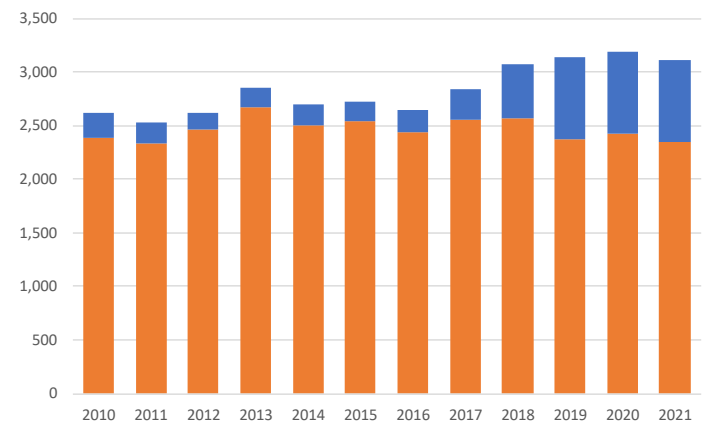
Y/Y Increase in the Volume of Beef Imported During Last Four Weeks

Source: USDA-AMS. Product wt. basis.



Argentine Beef Production and Exports. '000 MT Carcass Wt.

Data Source: USDA. Analysis by Steiner Consulting



from Australia are unchanged compared to a year ago, in the last four weeks there have been an additional 6000 MT coming from Argentina and Brazil, further bolstering the imported beef supply.

- USDA recently released its estimates of beef production and trade for Argentina. USDA made some upward revisions to Argentine beef production for 2020. The latest estimate pegs Argentine beef production for the current calendar year at 3.180 million MT, 80 million MT higher than the forecast made earlier in the year and 2% higher than the 3.125 million MT production in 2019. Production in 2021 is forecast to decline to 3.1 million MT, largely reflecting the impact of a smaller calf crop in the last two years. A La Nina weather pattern, with the potential for drier weather in South America, represents a key wild card for slaughter in the next six months. The Argentine beef industry has registered some impressive gains in the last five years. During this period, beef production in the country has increased by 460K MT on a carcass weight basis (over 600k MT on a product weight basis). Beef exports during this period increased from 180K MT in 2015 to 775K MT this year, a 331% increase or 595K MT more than just five years ago. The fact that exports have increased by more than domestic production coupled with normal population growth implies a significant net reduction in Argentine per capita domestic production. China now accounts for 75% to 80% of Argentine exports. The increase in Argentine

beef exports from near zero a year ago has helped bolster the supply of imported grinding beef in the US market this year. However, at this time we do not expect the growth rate to persist into next year. First, the decline in production will tend to limit the exportable amount. Second, Argentina has a relatively small 20,000 MT TRQ and the economics is such that very little product may enter out of quota. Third, China demand is not expected to slow down anytime soon and given the reduction in Argentine output, there will be more not less competition.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	17-Sep-20	10-Sep-20		19-Sep-19	
CME FEEDER CATTLE INDEX	142.18	140.99	0.8%	138.53	2.6%
	18-Sep-20	11-Sep-20		20-Sep-19	
FED STEER (5-MKT AVG)	102.73	101.24	1.5%	101.13	1.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	127.00	108.50	17.1%	92.00	38.0%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	127.00	112.50	12.9%	102.50	23.9%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	116.50	116.50	0.0%	98.50	18.3%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	178.10	181.35	-1.8%	175.55	1.5%

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
	18-Sep-20	248.0	11-Sep-20	250.0		20-Sep-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	247.0	248.0	248.0	250.0	-2.0	245.0	249.0	-1.0
90 CL Blended Cow	218.0	220.0	220.0	221.0	-1.0	225.0	227.0	-7.0
90 CL Shank		222.0		222.0	0.0	226.0	227.0	-5.0
85 CL Fores	198.0	199.0	198.0	200.0	-1.0	205.0	206.0	-7.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast		247.0		248.0		246.0	247.0	0.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	197.0	198.0	198.0	199.0	-1.0	204.0	205.0	-7.0
80 CL Trimmings	187.0	189.0	186.0	189.0	0.0	189.0	192.0	-3.0
75 CL Trimmings		175.0		175.0	0.0	181.0	183.0	-8.0
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		290.0	295.0	-5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		250.0		250.0			UNQ	N/A
Steer Knuckles	270.0	275.0		275.0	0.0	260.0	265.0	10.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	18-Sep-20	254.0	11-Sep-20	256.0		20-Sep-19	254.0	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	253.0	254.0	255.0	256.0	-2.0	252.0	254.0	0.0
90 CL Blended Cow	227.0	228.0		230.0	-2.0	232.0	234.0	-6.0
90 CL Shank		230.0	230.0	232.0	-2.0	232.0	233.0	-3.0
85 CL Fores	208.0	209.0		210.0	-1.0	212.0	213.0	-4.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	252.0	253.0		255.0	-2.0	252.0	253.0	0.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	207.0	208.0	209.0	210.0	-2.0	211.0	212.0	-4.0
80 CL Trimmings		205.0		205.0	0.0	197.0	198.0	7.0
75 CL Trimmings	183.0	184.0	185.0	186.0	-2.0	192.0	193.0	-9.0
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	305.0	310.0	-10.0	295.0	300.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		260.0	260.0	265.0	-5.0		UNQ	N/A
Steer Knuckles	280.0	285.0	285.0	290.0	-5.0	270.0	275.0	10.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	18-Sep-20			11-Sep-20				20-Sep-19			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	215.64			219.89			-4.3	216.97			-1.3
Select Cutout	203.94			207.10			-3.2	191.72			12.2
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	208.0	232.0	219.0	222.0	232.0	223.9	-4.9	219.0	232.0	223.8	-4.8
85 CL Beef Trimmings	182.7	206.7	188.2	185.0	207.0	190.9	-2.8	196.0	212.0	200.2	-12.0
50 CL Beef Trim	32.0	51.0	43.1	35.0	51.0	41.3	1.8	41.0	83.3	68.7	-25.6
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	46.4	74.5	60.0	42.0	63.5	50.2	9.8	49.0	66.3	54.5	5.4
72 CL Pork Trim	76.5	115.8	87.5	75.0	111.8	84.4	3.1	53.7	82.0	59.7	27.8
<u>Point of Lean Values</u>											
90 CL Domestic	243.3			248.7			-5.4	248.6			-5.3
50 CL Beef Trimming	86.3			82.6			3.6	137.5			-51.2
42 CL Pork Trim	142.7			119.5			23.3	129.8			12.9
72 CL Pork Trim	121.6			117.2			4.3	82.9			38.6
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	102.73			101.24			1.5	101.13			1.6

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
	18-Sep-20	11-Sep-20			20-Sep-19		
<u>Live Cattle Futures</u>							
October '20	107.350	105.525	↑	1.83	99.350	↑	8.00
December '20	111.850	109.900	↑	1.95	105.150	↑	6.70
February '21	116.075	114.325	↑	1.75	112.075	↑	4.00
April '21	118.150	116.950	↑	1.20	115.625	↑	2.53
<u>Feeder Cattle Futures</u>							
September '20	140.875	140.000	↑	0.88	140.325	↑	0.55
November '20	142.525	141.325	↑	1.20	137.025	↑	5.50
January '21	141.350	139.125	↑	2.22	133.850	↑	7.50
March '21	140.950	138.700	↑	2.25	132.950	↑	8.00
<u>Corn Futures</u>							
December '20	378.500	368.500	↑	10.00	370.750	↑	7.75
March '20	387.500	378.250	↑	9.25	381.750	↑	5.75
May '20	392.750	384.500	↑	8.25	389.500	↑	3.25
July '20	395.500	388.000	↑	7.50	395.250	↑	0.25
<u>Ch Wheat Futures</u>							
December '20	575	542	↑	33.00	484 1/4	↑	90.75
March '20	582 3/4	550 3/4	↑	32.00	491	↑	91.75
May '20	586 3/4	557	↑	29.75	495 3/4	↑	91.00
July '20	582 3/4	557	↑	25.75	499 3/4	↑	83.00

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week	Week		Last Year	Last Year
	18-Sep-20	11-Sep-20			20-Sep-19		
Total Cattle Slaughter	645,000	574,000	↑	71,000	661,000	↓	-16,000
	5-Sep-20	29-Aug-20			7-Sep-19		
Total Cow Slaughter	114,866	114,460	↑	406	110,348	↑	4,518
Dairy Cow Slaughter	55,203	54,124	↑	1,079	57,254	↓	-2,051
Beef Cow Slaughter	59,663	60,336	↓	-673	53,094	↑	6,569

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

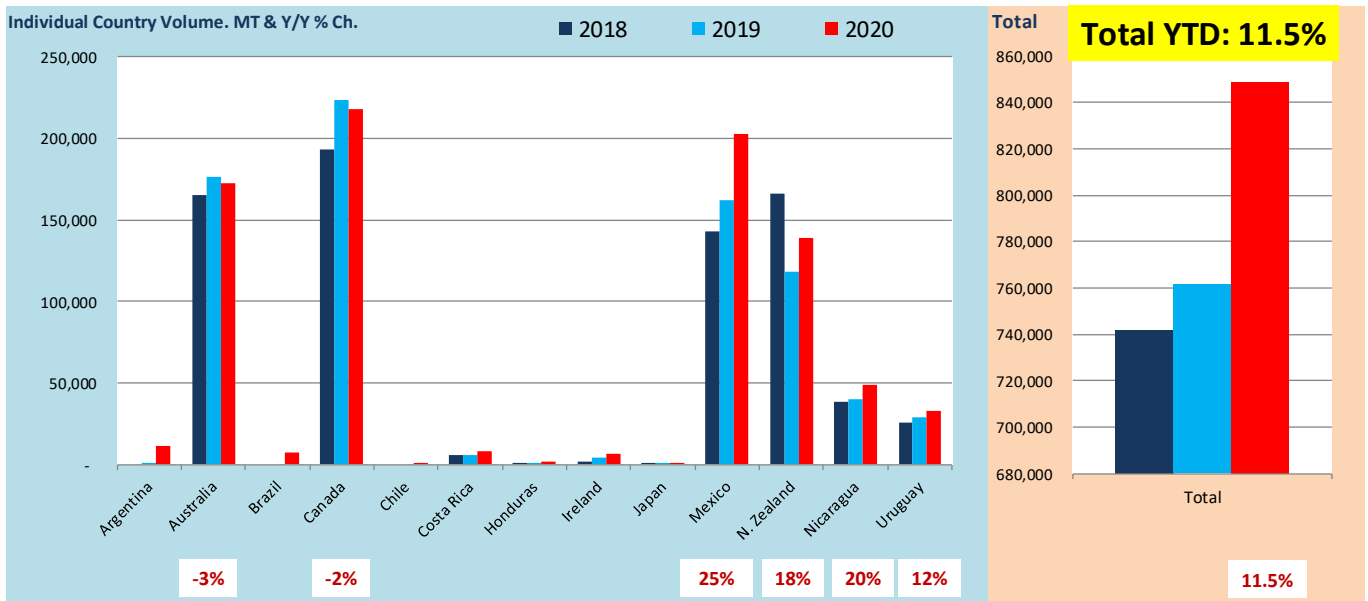
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 37	9/14/2019	9/12/2020		
Argentina	627	11,722	11,095	
Australia	176,776	172,165	(4,611)	-2.6%
Brazil	-	7,237	7,237	
Canada	223,247	217,974	(5,273)	-2.4%
Chile	-	48	48	
Costa Rica	5,853	8,317	2,464	42.1%
France	-	-	-	
Honduras	516	1,572	1,056	204.7%
Ireland	4,036	6,559	2,523	62.5%
Japan	336	280	(56)	-16.7%
Mexico	162,314	202,812	40,498	25.0%
Netherlands	-	-	-	
New Zealand	118,080	138,910	20,830	17.6%
Nicaragua	40,493	48,583	8,090	20.0%
Spain	-	-	-	
Uruguay	29,171	32,655	3,484	11.9%
Total	761,449	848,834	87,385	11.5%

Source: AMS - USDA

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

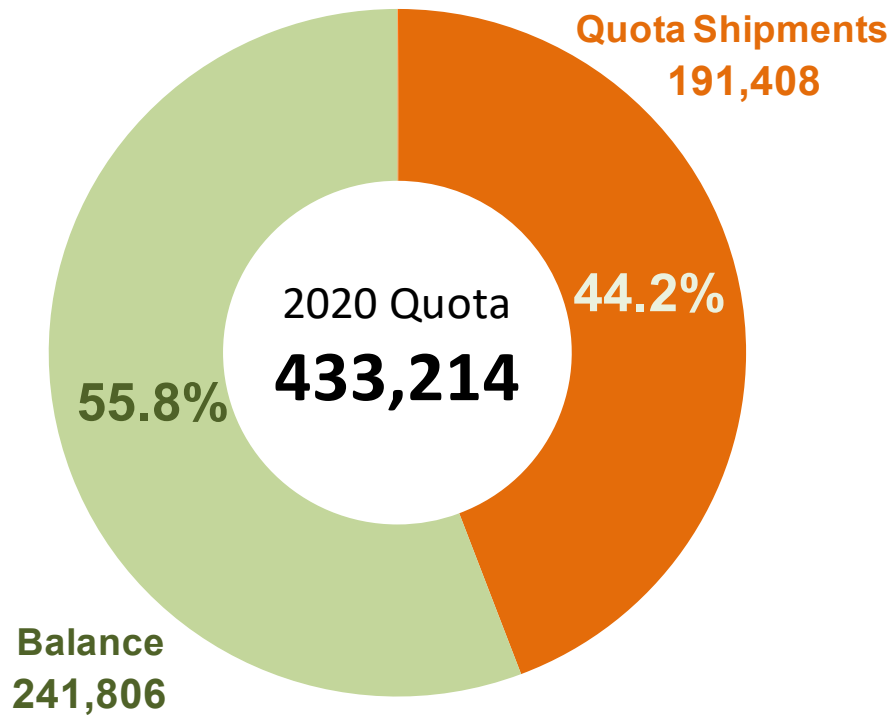
Imports as of September 12, 2020



Australian Beef Quota Position

18-Sep-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending September 14. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

