



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

- Fresh lean beef prices were a dime lower last week as retail demand is seasonally lower and market needs to rely on uneven foodservice and school lunch program demand.
- Imported beef supply availability remains well above last year, in part due to a significant amount of product coming from Argentina in the last four weeks. During September the increase in Argentine and New Zealand beef imports accounted for much of the growth in spot supply.
- USDA is currently forecasting Brazilian beef production to be up 5.3% next year while exports are forecast up 4.7%. However, Brazil, India and US account for much of the growth in beef exports next year.
- Foodservice demand in the US could struggle in the next three months as cold weather limits the ability of restaurants to offer outdoor dining. Following a CDC report noting the high risk of infection from indoor dining, 20% of consumers say that they may now avoid dining out until it is safer to do so.

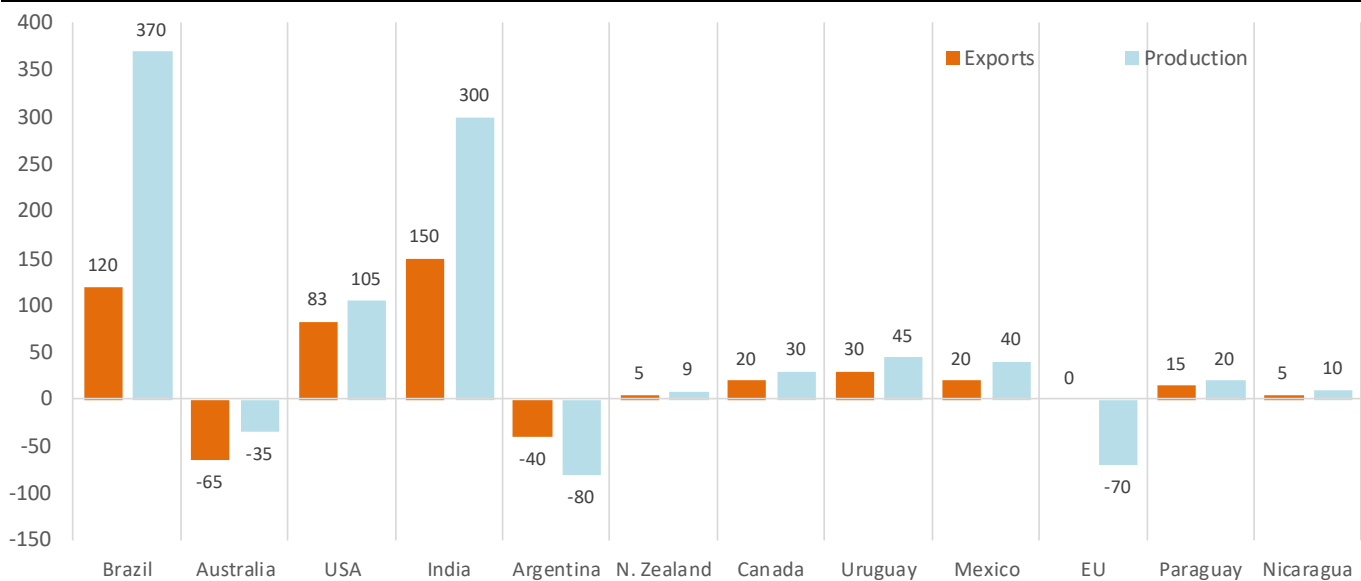
Imported Market Activity for the Week

Imported beef prices continued to lose ground last week following the sharp decline in domestic lean beef values. Supplies of imported beef in the spot market remain well above year ago levels and New Zealand suppliers are gearing up for the start of the new marketing year. Offerings from overseas suppliers are more limited, with Australia continuing to see sharply lower slaughter levels and Argentina having now filled its US quota for 2020. The US dollar remains strong vs. the Brazilian currency but it has lost ground in the last

few days against the Australian Dollar, New Zealand Dollar and the Mexican Peso. Lower prices for imported beef in the US market and the weak US dollar will tend to limit imports in the last two months of the year, a big shift from this summer when imported increased rapidly. According to the latest USDA import statistics, beef imports in the last four weeks were 24% higher than a year ago and they are now almost 13% higher for the year. At the start of 2020 USDA was forecasting US beef imports to be down 6% vs. 2019 on expectations of continued strong China demand and less supply available from Australia.

Expected Change in Prod. and Exports of Top Bovine Meat Exporting Countries in 2021. '000 MT. CWE

Source: USDA-FAS. Analysis by Steiner Consulting



Market factors for the week:

- Foodservice demand recovered over the summer but the pace of recovery was uneven, with big restaurant chains far outpacing the recovery at small independent restaurants. A report in the Wall Street Journal over the weekend noted that consumer spending at big chains is now back to pre-pandemic levels even as restaurant counts have not recovered. Large chains had more experience, capital and were better positioned to take advantage of the consumer shift to take out, delivery, and drive through business. We think that imported beef is more widely used by large chains and the recovery in consumer spending at this segment helped bolster demand for imported beef during the summer months. But as we note below, there are real concerns about demand during the fall and winter months and some of this uncertainty is currently playing out in the market for lean and fat trim.

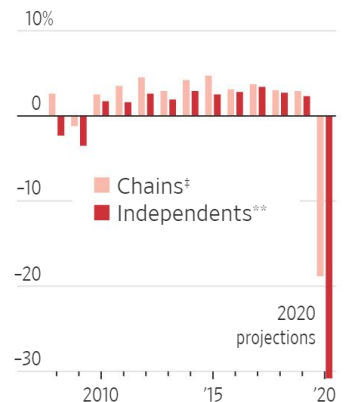
- The price domestic fresh 90CL boneless beef dropped 10 cents a pound last week and it is now as much as 25 cents lower than where it was at the end of August. As we have noted previously in this report, the decline should not come as a surprise. Indeed, the real surprise would have been if lean beef values managed to hold on to summer price levels. Grilling demand and retail sales are a key driver for the grinding beef market over the summer months. With the grilling season behind us and more limited demand for the school lunch program, lean beef values have had to rely on the uneven foodservice demand.

- US lean beef prices have come under pressure despite the decline in domestic cow and bull slaughter. For the week ending October 10 US non-fed slaughter was estimated at 134k head, 5% lower than a year ago. In the last four weeks, non-fed slaughter has averaged about 6.3% below last year. The decline in domestic cow slaughter has been in part offset by higher imports. Still, it remains to be seen how well grinding beef prices hold up during October and November when the cull cow run gets underway. Drought conditions in parts of the country and deteriorating pasture conditions in late July, August and September have reportedly limited hay cutting. Producers may go into winter with a less than optimal hay supply. But even as beef cow slaughter may increase in the next few weeks, we expect the dairy culling rate to remain below year ago levels. Cheese prices in the US are extremely strong at this time due to government buying programs. This has limited dairy cow

U.S. restaurant consumer spending, change from previous year

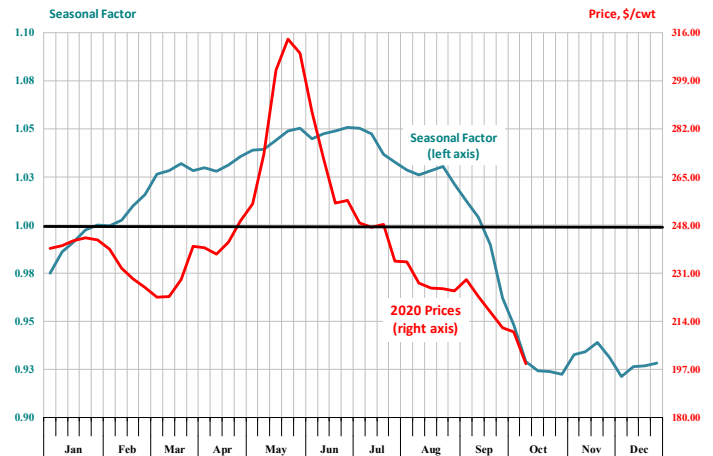


U.S. food service sales, change from previous year

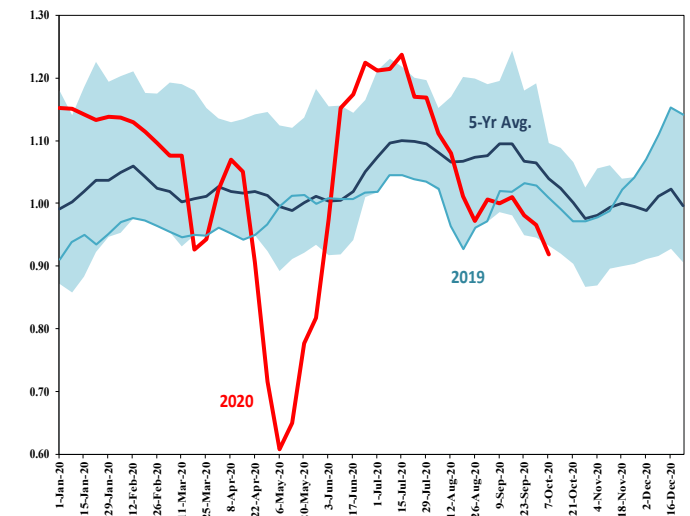


Source: Wall Street Journal

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



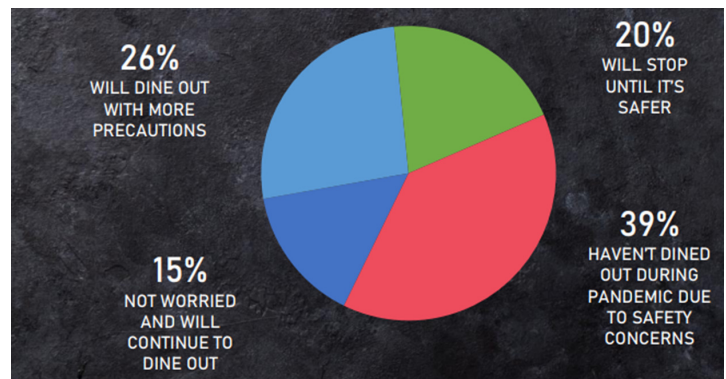
Price Ratio of 90CL Boneless Beef vs. Choice Cutout



slaughter so far and that is expected to continue in the near term. The ratio of lean beef values vs. wholesale beef prices is currently on the low end of the range but seasonal demand weakness remains a limiting factor in the near term.

- The chart on page 1 provides a summary of the most current USDA forecasts of production and exports for the top global beef (and bovine meat) suppliers. We add the 'bovine' qualification because India relies on carabeef (water buffalo meat) for a big portion of its production and exports. As you review that chart, please note that the data is on a carcass weight basis and it is calculated for the entire calendar year. For those that are used to looking at product weight data, a quick rule of thumb would be to divide production or export numbers with 1.34. Production from the top global suppliers next year is expected to increase by 744,000 MT, which includes a 300,000 MT increase in India. Much of the growth in the non-India supply is expected to come from Brazil. Brazilian beef production in 2021 is forecast to increase by 370,000 MT or 3.7%. The expected increase follows a steady gain in Brazilian cattle numbers. Brazilian beef exports in 2021 are forecast to increase by 120,000 MT. US beef production in 2021 is forecast to increase by 105,000 MT and USA beef exports are forecast to increase by 83,000 MT. There is significant uncertainty in this forecast and our own projections are for minimal US supply growth. A smaller calf crop in the last three years and improved cow-calf profitability will likely limit US slaughter in the second half of 2021. According to USDA, Brazil and USA will account for much of the growth in beef exports next year. India carabeef exports are expected to increase by 150,000 MT, helping fill demand in markets looking for inexpensive beef. Given current forecasts for a recovery in global demand next year and continued expansion of beef sales in China, the market faces a significant shortfall in supply availability,

Does the new report from CDC stating that **"dining out raises your risk of contracting COVID-19 more than other activities"** change how you feel about dining in restaurants/bars?



- While in the long term beef prices will trend higher (lower supplies, waning pandemic effects), in the near term there is growing uncertainty about foodservice demand. It does not help that COVID infections and new cases have been politicized. A recent CDC report noted that going to a restaurant presented the highest risk for contracting COVID-19. The market research firm Datassential surveyed a representative sample about the most recent CDC report and the results highlighted the challenges for the industry in the near term. Almost 40% of the respondents noted that they continue to shy away from indoor dining and now another 20% indicated they will stop until it is safer. The arrival of cold weather is expected to limit the ability of restaurants to offer outdoor dining options. While we do not think this is responsible for the recent decline in lean beef values, it underscores the risk for the market in the next three months, making end users more cautious in their sales projections and inventory build.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	8-Oct-20	1-Oct-20		10-Oct-19	
CME FEEDER CATTLE INDEX	141.92	142.96	-0.7%	143.63	-1.2%
	9-Oct-20	2-Oct-20		11-Oct-19	
FED STEER (5-MKT AVG)	107.42	106.94	0.4%	107.70	-0.3%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	120.00	120.00	0.0%	94.50	27.0%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	121.00	124.50	-2.8%	102.50	18.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	115.50	113.50	1.8%	97.00	19.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	166.75	170.83	-2.4%	171.74	-2.9%

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
	9-Oct-20	235.0	2-Oct-20	241.0		11-Oct-19	251.0	
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	230.0	235.0	240.0	241.0	-6.0	250.0	251.0	-16.0
90 CL Blended Cow	200.0	205.0	210.0	212.0	-7.0	231.0	232.0	-27.0
90 CL Shank	210.0	215.0	215.0	216.0	-1.0	230.0	231.0	-16.0
85 CL Fores	190.0	194.0	195.0	196.0	-2.0	208.0	209.0	-15.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	230.0	234.0		240.0	-6.0	249.0	250.0	-16.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	190.0	191.0		195.0	-4.0	207.0	208.0	-17.0
80 CL Trimmings		UNQ	187.0	188.0	N/A	190.0	191.0	N/A
75 CL Trimmings		UNQ		175.0	N/A	184.0	185.0	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		295.0	0.0	290.0	295.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		250.0	250.0	255.0	-5.0		UNQ	N/A
Steer Knuckles	260.0	265.0	275.0	280.0	-15.0	260.0	265.0	0.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	9-Oct-20		2-Oct-20			11-Oct-19		
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	238.0	241.0	245.0	246.0	-5.0	258.0	259.0	-18.0
90 CL Blended Cow	214.0	215.0		220.0	-5.0	238.0	240.0	-25.0
90 CL Shank	224.0	225.0	224.0	225.0	0.0	238.0	239.0	-14.0
85 CL Fores	201.0	202.0		206.0	-4.0	216.0	217.0	-15.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	238.0	239.0	242.0	244.0	-5.0	257.0	258.0	-19.0
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	201.0		206.0	-5.0	214.0	215.0	-14.0
80 CL Trimmings		UNQ	200.0	201.0	N/A	195.0	197.0	N/A
75 CL Trimmings		UNQ		183.0	N/A		190.0	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	305.0	305.0	310.0	-5.0	295.0	300.0	5.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	250.0	260.0	260.0	265.0	-5.0		UNQ	N/A
Steer Knuckles	270.0	275.0		290.0	-15.0	270.0	275.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	9-Oct-20			2-Oct-20				11-Oct-19			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	214.06			218.88			-4.8	215.66			-1.6
Select Cutout	199.82			207.61			-7.8	188.68			11.1
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	190.0	215.0	199.8	202.0	222.0	209.6	-9.7	216.0	224.5	218.6	-18.8
85 CL Beef Trimmings	152.0	183.5	168.2	165.0	185.0	174.5	-6.3	180.0	200.0	192.5	-24.3
50 CL Beef Trim	45.0	59.0	50.1	45.0	57.0	50.5	-0.4	32.0	50.1	43.1	7.0
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	42.0	75.0	54.4	52.1	78.5	61.7	-7.3	34.0	53.2	39.3	15.1
72 CL Pork Trim	79.2	116.8	86.8	78.1	112.8	84.1	2.7	44.7	78.3	49.8	37.0
<u>Point of Lean Values</u>											
90 CL Domestic	222.0			232.8			-10.8	242.9			-20.9
50 CL Beef Trimming	100.2			101.0			-0.9	86.3			13.9
42 CL Pork Trim	129.5			146.8			-17.4	93.6			35.9
72 CL Pork Trim	120.6			116.8			3.8	69.2			51.4
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	107.42			106.94			0.5	107.70			-0.3

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-Oct-20	2-Oct-20			11-Oct-19		
<u>Live Cattle Futures</u>							
October '20	109.875	108.175	↑	1.70	109.450	↑	0.42
December '20	112.600	111.100	↑	1.50	112.150	↑	0.45
February '21	114.300	114.725	↓	-0.42	118.050	↓	-3.75
April '21	115.850	117.150	↓	-1.30	120.200	↓	-4.35
<u>Feeder Cattle Futures</u>							
November '20	135.525	139.875	↓	-4.35	144.250	↓	-8.72
January '21	134.000	138.000	↓	-4.00	140.475	↓	-6.47
March '21	133.550	137.425	↓	-3.88	139.150	↓	-5.60
May '21	135.725	139.925	↓	-4.20	141.050	↓	-5.33
<u>Corn Futures</u>							
December '20	395.000	379.750	↑	15.25	397.750	↓	-2.75
March '20	402.250	389.250	↑	13.00	407.750	↓	-5.50
May '20	406.500	394.750	↑	11.75	412.750	↓	-6.25
July '20	409.500	398.500	↑	11.00	416.500	↓	-7.00
<u>Ch Wheat Futures</u>							
December '20	593 3/4	573 1/4	↑	20.50	508	↑	85.75
March '20	597 3/4	579 1/2	↑	18.25	514	↑	83.75
May '20	599 3/4	583 1/2	↑	16.25	518 1/2	↑	81.25
July '20	594 1/4	581	↑	13.25	522 1/4	↑	72.00
<u>Slaughter Information</u>							
Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
	9-Oct-20	2-Oct-20	Week	Week	11-Oct-19	Last Year	Last Year
<u>Total Cattle Slaughter</u>	637,000	665,000	↓	-28,000	648,000	↓	-11,000
	26-Sep-20	19-Sep-20			28-Sep-19		
<u>Total Cow Slaughter</u>	122,818	123,607	↓	-789	123,482	↓	-664
<u>Dairy Cow Slaughter</u>	58,830	59,845	↓	-1,015	60,358	↓	-1,528
<u>Beef Cow Slaughter</u>	63,988	63,762	↑	226	63,124	↑	864

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

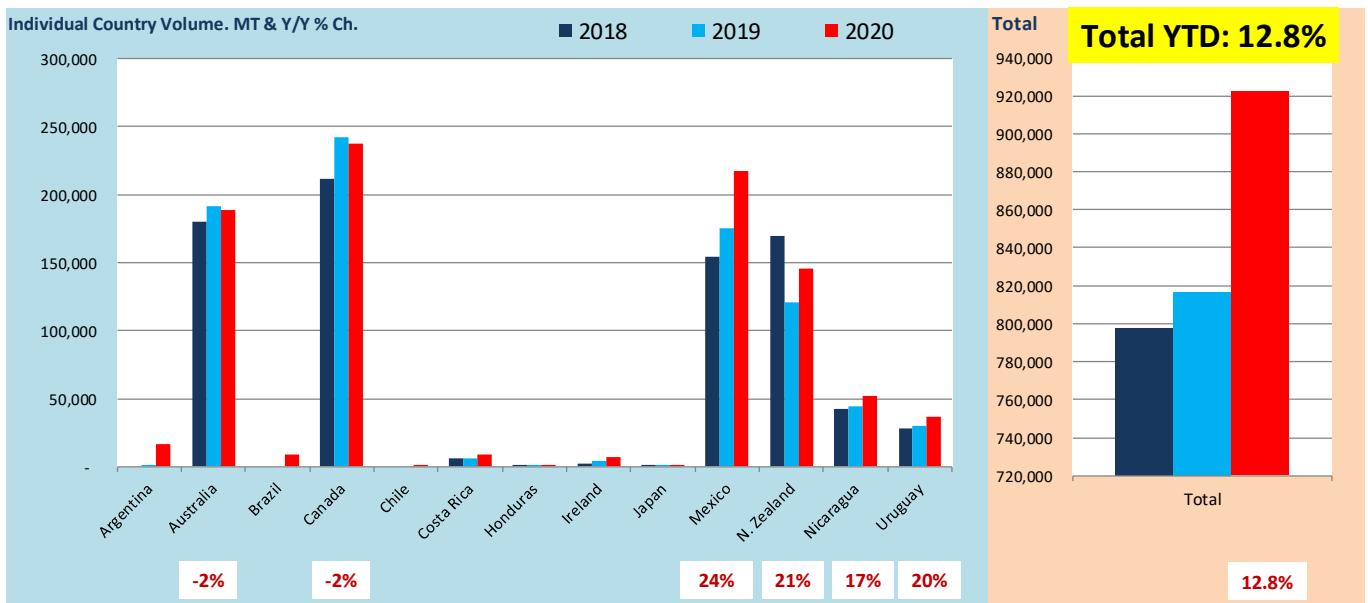
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 40	10/5/2019	10/3/2020		
Argentina	775	16,280	15,505	
Australia	191,709	188,743	(2,966)	-1.5%
Brazil	-	9,361	9,361	
Canada	241,921	237,268	(4,653)	-1.9%
Chile	-	48	48	
Costa Rica	6,296	8,906	2,610	41.5%
France	-	-	-	
Honduras	516	1,572	1,056	204.7%
Ireland	4,399	7,053	2,654	60.3%
Japan	363	315	(48)	-13.2%
Mexico	175,542	217,633	42,091	24.0%
Netherlands	-	-	-	
New Zealand	120,595	145,912	25,317	21.0%
Nicaragua	44,325	52,076	7,751	17.5%
Spain	-	-	-	
Uruguay	30,555	36,641	6,086	19.9%
Total	816,997	921,807	104,810	12.8%

Source: AMS - USDA

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

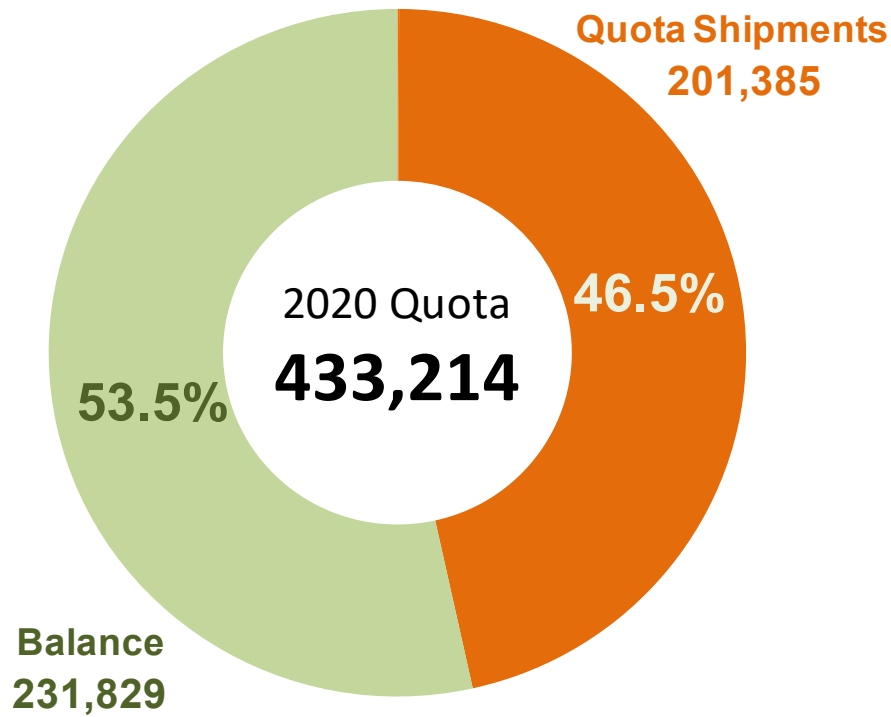
Imports as of October 3, 2020



Australian Beef Quota Position

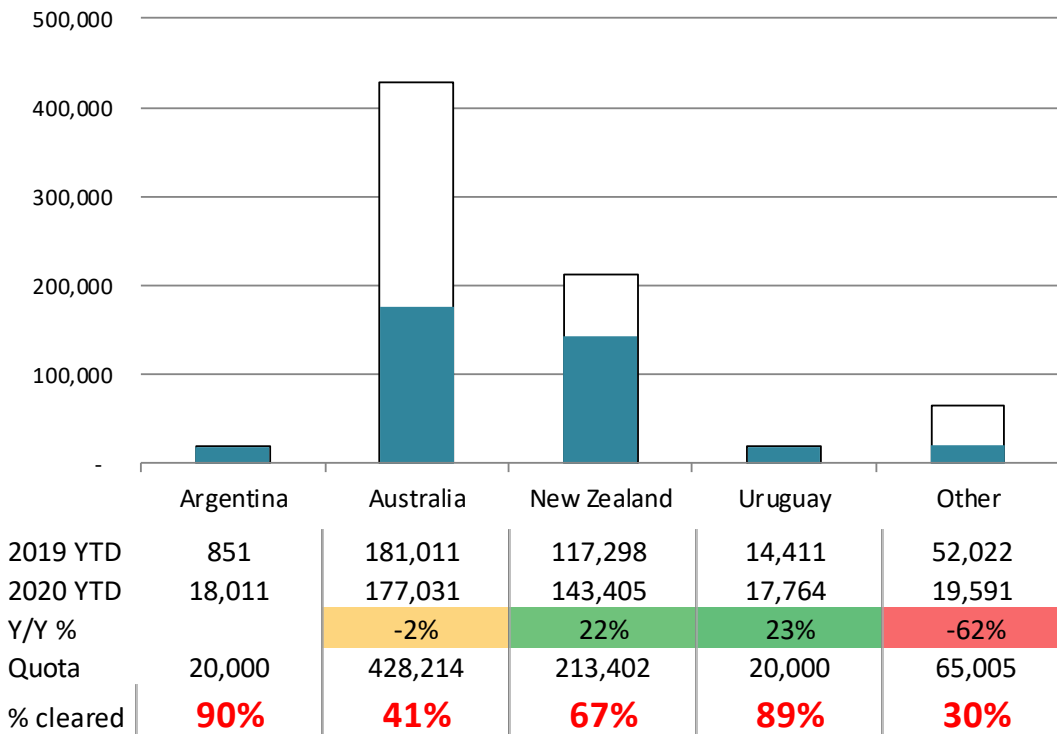
8-Oct-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 5. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting



Please note that Customs has not provided any additional updates since September 21.