



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Prepared by: Steiner Consulting Group | SteinerConsulting.com | 800-526-4612 | service@steinerconsulting.com

Market Highlights for the Week:

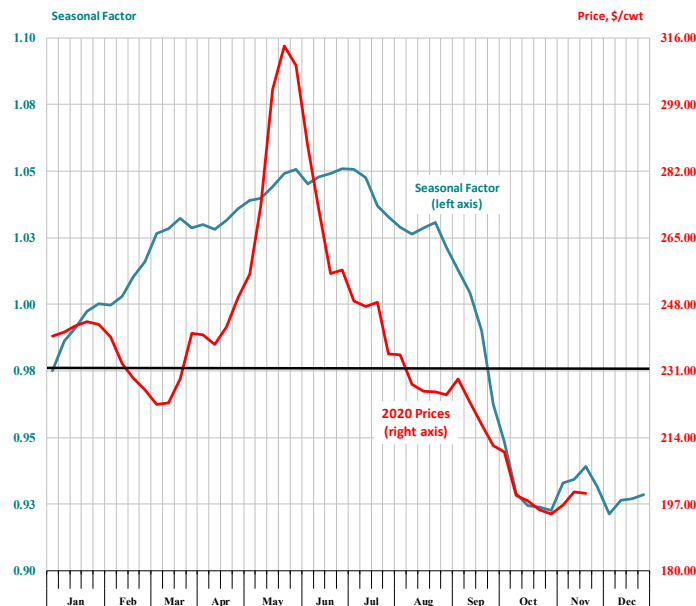
- For much of last week the speculation in the US futures market has been that packers may be slowing down due to rising COVID cases. And yet, the final weekly slaughter numbers from USDA came in above our projections.
- Cattle slaughter was higher than expected, largely due to a notable jump in Saturday slaughter. USDA reported Saturday slaughter was 72k head, 9k head higher than the previous week but still under last year. With a holiday shortened week coming up, packers sought to ramp up production this week.
- Beef cutout remains well supported in the near term, in part due to some panic buying from retailers ahead of the holidays. Ribs have been a key factor as have been end cuts. Cutout usually comes under some pressure once holiday buys have been covered although there still seems to be good interest for beef features into January.
- Fat beef trim market remains weak despite the big jump in the cutout. Foodservice demand, school lunch demand, heavy fed cattle carcass weights and lack of boxing and freezing capacity have all contributed to the weakness in the fat trim complex.
- Imported beef values remain firm on limited offerings.
- Total supply of cattle on feed as of November 1 was estimated 1.3% above year ago but lower than pre-report estimates.

Imported Market Activity for the Week

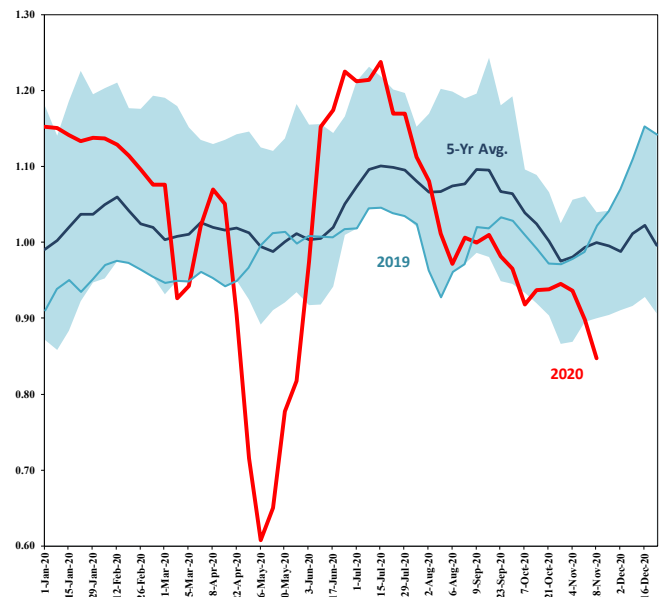
Prices for imported lean beef were steady for the most part as supply availability remains limited and NZ/Australian packers continue to be well sold into January. Central American product was reportedly offered in some quantity and at modestly lower prices although we cannot quantify the spread to Oceania product. Brazil imports have also increased in the last few weeks but most of the supply is going to regular buyers and only limited quantities are hitting the open market. Prices for fat trim were difficult to quote as traders

found it especially difficult to cover the large gap between US domestic values and asking prices overseas. US prices for domestic 50CL beef trim remain extremely depressed and this is dragging down the value of fat trim across the board. Domestic 65CL, 75CL and 80CL trim prices are not as widely quoted as 90CL and 85CL product but the latest quotes show a spread that is often as high as 20 cents vs. imported product, sometimes even higher. Consider that last week USDA quoted the price of fresh domestic 65CL trim at 82 cents per pound while frozen 65CL trim was quoted at 89 cents per pound. Imported product, however, is

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



Price Ratio of 90CL Boneless Beef vs. Choice Cutout



being sold at 130-140 equivalent to other markets. The value of domestic 81CL fresh trim last week was quoted at 168 cents per pound FOB Central US, as much as 25 cents per pound lower than what imported product value would be if one were to buy overseas and ship to the US. We have not quoted fat trim for the last few weeks because we simply do not see a market developing although some product that was purchased previously still may be trading at very limited volume.

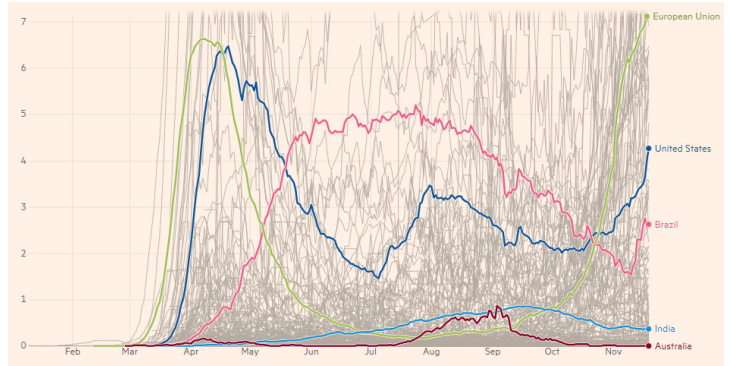
Spike in US COVID cases drives foodservice buyer uncertainty, limits day to day volume traded

There has been a significant spike in the number of COVID cases in the US, resulting in an increase in the number of COVID related deaths. While the spike in the number of cases has far surpassed the levels seen last spring, so far the number of deaths on a per capita basis remains below what it was a year ago. But the trend is especially concerning and it is not something that is unique to the US. Indeed, the number of COVID deaths adjusted for population is now far higher in the EU than in the US. State governments are taking a number of measures to try and keep the spread of the virus under control. A number of states have either sharply reduced indoor dining capacity or they have suspended indoor dining altogether. A survey of consumers conducted by a market research company suggests that a majority of consumers now expect to spend more time indoors. We see this as generally bearish for foodservice demand in the short term although sit down restaurants will be disproportionately affected. Many states have also shifted to online learning, which again tends to be negative for demand from school lunch programs. We also see this as disproportionately affecting domestic trim vs. imports. At this time our working assumption is that imported beef will continue to trade at a premium to domestic trim through the winter although the premium will narrow in Q1 when domestic supplies seasonally decline.

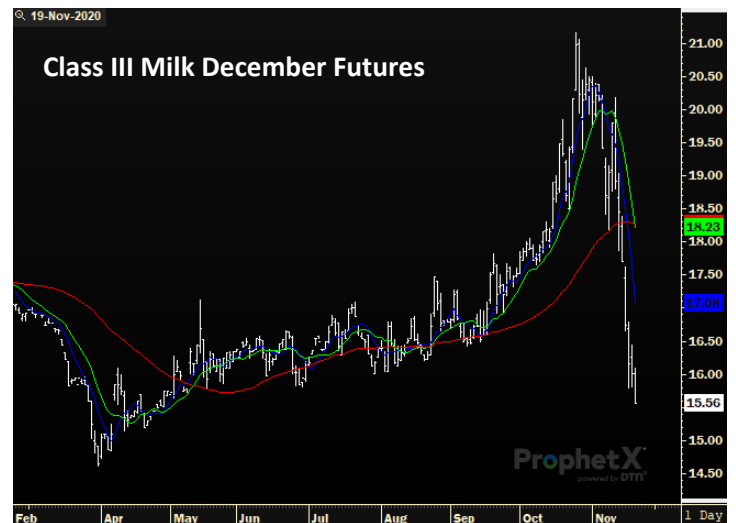
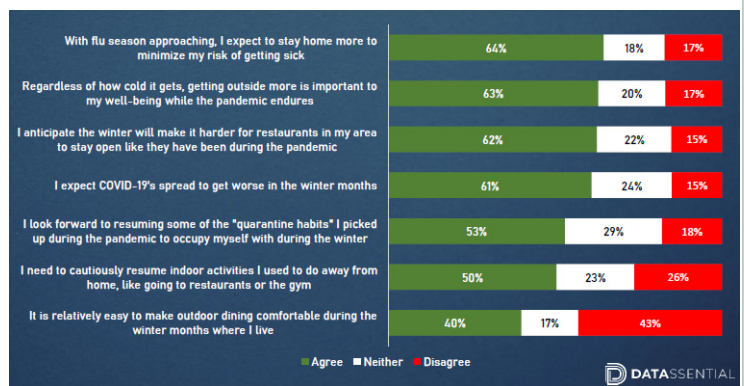
Collapse in cheese/dairy prices could result in more dairy cows coming to market in Q1

This is one of those topics that we touched upon as a risk for domestic fresh lean trim in Q1. In October we looked at the spike in cheese prices and recognized that the factors driving the price increase

New deaths attributed to COVID-19 in US, Brazil, EU, India, Australia
7-day rolling average of new deaths per million inhabitants



Survey of Consumers Shows 3 out of 5 Plan to Spend More Time at Home and Think Restaurants will Struggle
Survey conducted/reported by Datassential



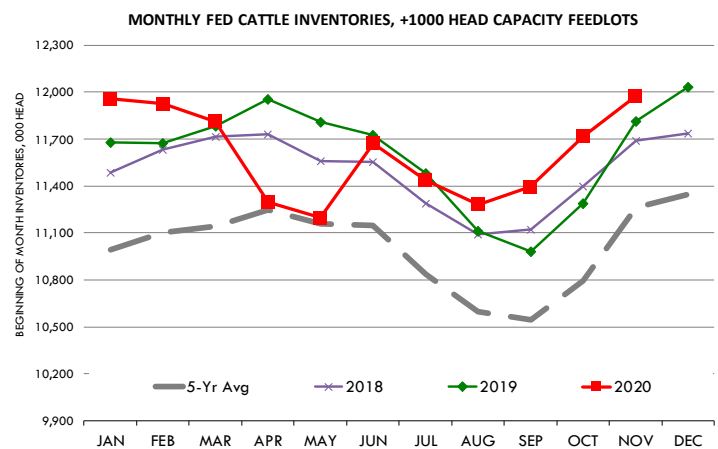
were not sustainable. US cheese prices at the time were trading as much as 70% higher than cheese prices in the EU and 58% higher than in New Zealand. Government buying programs created a short term demand squeeze that was expected to come to an end when orders for those programs were filled. Futures market participants have been heading for

the door, looking to close their put position given the expected hit to demand from the end of the Farmers to Families Food Box program as well as the closure of indoor dining in a number of counties and states. We think it is now just a matter of time before more dairy cows show up in slaughter. US feed costs are also moving higher, further squeezing dairyman margins.

US cattle on feed supplies remain above last year but rate of growth has slowed down significantly

On November 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.973 million head, 157,000 head or 1.3% above year ago. Analysts polled ahead of the report expected, on average, a 1.8% increase from a year ago. Despite the decline in placements, feedlots still placed more cattle on feed in October than were marketed, which is why November 1 inventories were higher than the previous month. This is a normal seasonal effect as calves are weaned and moved off pastures. What is more important, however, is the fact that feedlots have become increasingly current, which normally would help their bargaining power. But that assumes a normal trading relationship and this year is anything but normal. Cattle futures have sold aggressively in the last couple of sessions despite a big jump in wholesale beef prices. As was the case last spring, the market is now being driven by fear: the fear of plants running below capacity or shutting down altogether; fear of restaurant closures killing demand for high quality beef this winter; fear that another wave of layoffs impacting people's ability to afford high quality protein.

Placements: **Feedlots with +1000 head capacity placed 2.192 million head of cattle on feed during October, 270,000 head or 11% less than a year ago.** Analysts polled ahead of the report on average expected placements to be 9.1% lower than last year. Cattle placements exceeded year ago levels in each of the last four months, in part because some calves were backed up due to the disruptions created by COVID in the spring. Robust cattle prices during the summer months and dry conditions in the Southern Plains also contributed to the increase in placements. Some of the factors that drove the increase in placements no longer were in play during October. Sharply higher feed costs during October and the resulting neg-



ative impact this had on feeder cattle values likely reduced the number of feeder cattle traded in the country. USDA data showed that sales of +600 lb. feeder cattle during October were 34% lower than the previous year, anticipating the decline in placements that the feedlot survey revealed. Fed cattle values were also lower in October, which further reduced the incentive for feedlots to try to bid more aggressively for animals. February fed cattle futures declined by \$9/cwt between late September and late October. Placements were lower even as we saw more feeder cattle imports from Mexico in October. USDA weekly data showed that feeder cattle imports from Mexico in October were 25,000 head or 28% higher than the previous year. The reason we think the survey supports a smaller than normal spread between December and February is due to the fact that the supply of +120 day cattle on November 1 was 75k head or 1.9% lower than a year ago. Moreover, feedlots placed 18% fewer cattle on feed that were +800 lb. But as noted before, much will depend on the ability of packers to maintain slaughter levels in the next few weeks. If they do, we could see February gain vs. April.

Marketings: **Feedlot marketings in October were estimated at 1.873 million head, unchanged from a year ago despite one less marketing day.** This was in line with analyst expectations and fed cattle slaughter during October. Ratio of marketings to the inventory of +90 day cattle was 32.8% vs. 32.4% a year ago and about the same as the five year average.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	19-Nov-20	12-Nov-20		21-Nov-19	
CME FEEDER CATTLE INDEX	136.75	137.35	-0.4%	145.48	-6.0%
	20-Nov-20	13-Nov-20		22-Nov-19	
FED STEER (5-MKT AVG)	109.68	108.96	0.7%	115.88	-5.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	96.50	97.50	-1.0%	81.00	19.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	109.50	109.50	0.0%	90.00	21.7%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	107.50	107.50	0.0%	92.00	16.8%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	167.27	164.71	1.6%	184.38	-9.3%

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
	20-Nov-20	235.0	13-Nov-20	235.0		22-Nov-19		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	234.0	235.0	233.0	235.0	0.0	315.0		-80.0
90 CL Blended Cow	216.0	217.0	215.0	217.0	0.0	300.0		-83.0
90 CL Shank	215.0	216.0		215.0	1.0	285.0	290.0	-74.0
85 CL Fores	191.0	192.0	191.0	192.0	0.0	270.0		-78.0
85 CL Chucks		UNQ		UNQ	N/A	UNQ		N/A
95 CL Bull, W. Coast	232.0	233.0	230.0	232.0	1.0	315.0		-82.0
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	189.0	190.0	1.0	265.0		-74.0
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	315.0	330.0	310.0	315.0	15.0	330.0	340.0	-10.0
Steer Insides 14/18		UNQ		UNQ	N/A	UNQ		N/A
Steer Flats	265.0	270.0		UNQ	N/A	UNQ		N/A
Steer Knuckles	270.0	275.0	270.0	275.0	0.0	300.0		-25.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	20-Nov-20	24-Nov-20	13-Nov-20	17-Nov-20		22-Nov-19	22-Nov-19	
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	244.0	245.0	244.0	245.0	0.0	330.0	330.0	-85.0
90 CL Blended Cow		226.0	225.0	227.0	-1.0	310.0	310.0	-84.0
90 CL Shank	225.0	227.0		225.0	2.0	295.0	296.0	-69.0
85 CL Fores	200.0	201.0	200.0	201.0	0.0	280.0	285.0	-84.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	243.0	244.0	242.0	243.0	1.0	325.0	328.0	-84.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	198.0	199.0	198.0	200.0	-1.0	280.0	284.0	-85.0
80 CL Trimmings		UNQ		UNQ	N/A	260.0	265.0	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, FOB US Port</u>								
Cap Off Steer Insides	330.0	340.0	320.0	330.0	10.0	335.0	340.0	0.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	275.0	280.0		275.0	5.0		UNQ	N/A
Steer Knuckles	280.0	290.0	275.0	280.0	10.0	300.0	310.0	-20.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
	20-Nov-20			13-Nov-20				22-Nov-19			
<u>Domestic Cutouts</u>											
Choice Cutout	238.35			225.98			12.4	232.57			5.8
Select Cutout	214.98			209.46			5.5	211.32			3.7
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	199.0	212.0	200.9	195.0	212.0	199.7	1.3	235.0	256.0	242.8	-41.9
85 CL Beef Trimmings	157.1	190.0	167.6	158.7	175.0	166.1	1.6	208.0	241.0	216.9	-49.3
50 CL Beef Trim	35.0	51.0	41.3	33.0	55.0	41.4	-0.1	68.0	102.5	82.5	-41.2
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	17.0	59.5	23.2	21.0	62.5	27.5	-4.3	22.3	41.5	26.4	-3.2
72 CL Pork Trim	69.2	106.8	76.9	73.3	116.8	85.2	-8.3	47.5	75.0	67.5	9.4
<u>Point of Lean Values</u>											
90 CL Domestic	223.3			221.8			1.4	269.8			-46.5
50 CL Beef Trimming	82.6			82.9			-0.3	164.9			-82.4
42 CL Pork Trim	55.2			65.4			-10.2	62.8			-7.6
72 CL Pork Trim	106.8			118.3			-11.6	93.7			13.1
<u>National Direct Fed Steer (5-day accum. wt. avg. price)</u>	109.68			108.96			0.7	115.88			-6.2

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From Last Year
			Week	Week		
	20-Nov-20	13-Nov-20			22-Nov-19	
<u>Live Cattle Futures</u>						
December '20	108.100	109.925	↓	-1.82	118.675	↓ -10.58
February '21	110.650	112.225	↓	-1.57	123.850	↓ -13.20
April '21	114.450	116.200	↓	-1.75	124.175	↓ -9.72
June '21	109.250	111.175	↓	-1.93	115.325	↓ -6.08
<u>Feeder Cattle Futures</u>						
November '20	136.750	137.475	↓	-0.72	145.480	↓ -8.73
January '21	134.600	137.875	↓	-3.28	139.275	↓ -4.68
March '21	134.375	137.150	↓	-2.78	139.600	↓ -5.22
May '21	137.450	139.600	↓	-2.15	142.025	↓ -4.57
<u>Corn Futures</u>						
December '20	423.250	410.500	↑	12.75	368.750	↑ 54.50
March '20	428.250	419.500	↑	8.75	378.500	↑ 49.75
May '20	430.750	424.000	↑	6.75	383.750	↑ 47.00
July '20	430.750	426.250	↑	4.50	388.750	↑ 42.00
<u>Ch Wheat Futures</u>						
December '20	593 1/4	593 1/2	↓	-0.25	515 1/4	↑ 78.00
March '20	599 1/2	602	↓	-2.50	518 3/4	↑ 80.75
May '20	602 1/4	605	↓	-2.75	522 3/4	↑ 79.50
July '20	598 1/4	602 1/4	↓	-4.00	524	↑ 74.25

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From Last Year
			Week	Week		
	20-Nov-20	13-Nov-20			22-Nov-19	
<u>Total Cattle Slaughter</u>	665,000	653,000	↑	12,000	668,000	↓ -3,000
	7-Nov-20	31-Oct-20			9-Nov-19	
<u>Total Cow Slaughter</u>	130,656	129,301	↑	1,355	135,609	↓ -4,953
<u>Dairy Cow Slaughter</u>	57,766	57,781	↓	-15	62,680	↓ -4,914
<u>Beef Cow Slaughter</u>	72,890	71,520	↑	1,370	72,929	↓ -39

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

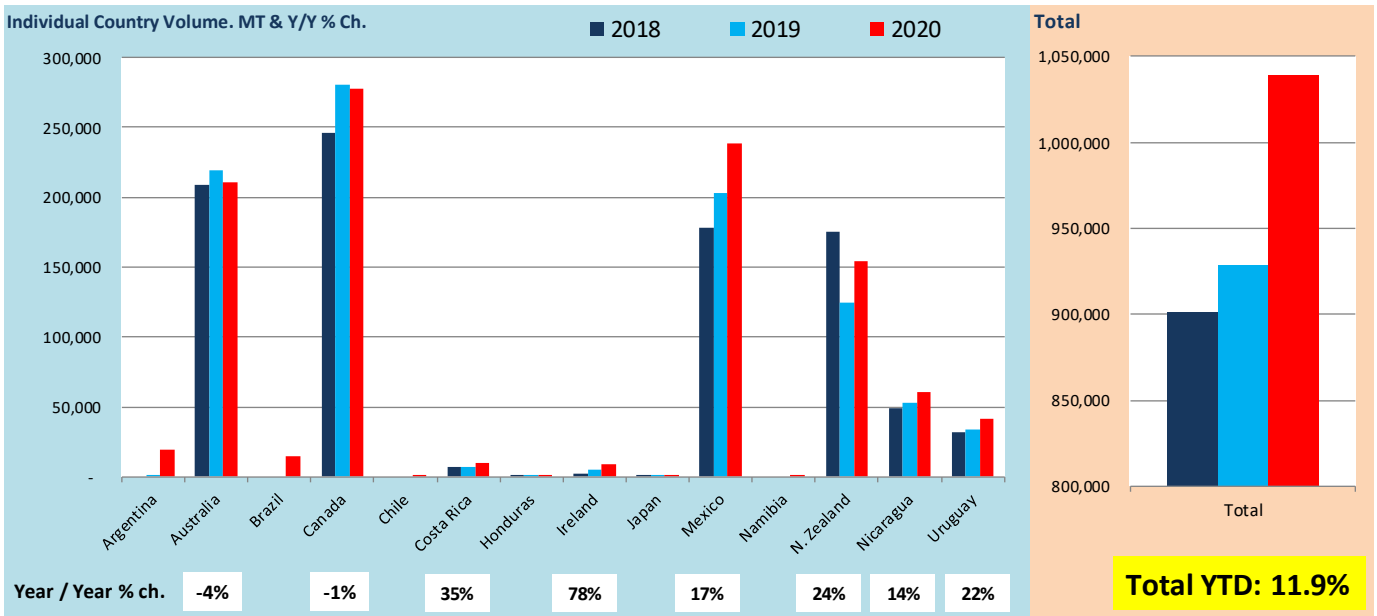
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 46	11/16/2019	11/14/2020		
Argentina	1,027	19,543	18,516	
Australia	219,069	210,806	(8,263)	-3.8%
Brazil	-	15,028	15,028	
Canada	280,275	277,547	(2,728)	-1.0%
Chile	-	128	128	
Costa Rica	7,140	9,637	2,497	35.0%
France	-	-	-	
Honduras	787	1,572	785	99.7%
Ireland	4,873	8,655	3,782	77.6%
Japan	409	408	(1)	-0.2%
Mexico	203,555	238,791	35,236	17.3%
Namibia	-	534	534	
Netherlands	-	-	-	
New Zealand	124,513	154,357	29,844	24.0%
Nicaragua	53,264	60,563	7,299	13.7%
Spain	-	-	-	
Uruguay	33,707	41,136	7,429	22.0%
Total	928,620	1,038,705	110,085	11.9%

Source: AMS - USDA

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

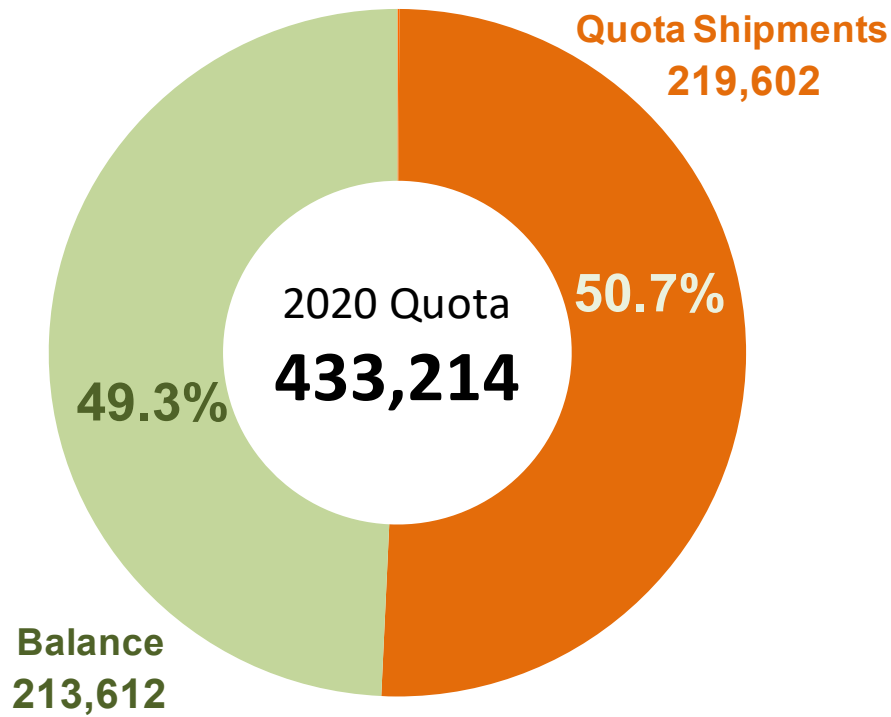
Imports as of November 14, 2020



Australian Beef Quota Position

20-Nov-20

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending November 16. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

