



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

Volume 22, Issue 11

March 19, 2021

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

Market Highlights for the Week:

- Cattle on feed supply on March 1 was 1.6% higher than a year ago, in line with expectations. However, as we have pointed out, the supply of market ready cattle remains large, up as much as 600k head vs. year ago. This has kept cattle prices in check even as wholesale beef prices have been very firm through Q1. Packer margins are historically large for this time of year.
- Cattle slaughter was 519k head this week, down 5% from a year ago. Winter storms created challenges for some plants this past week. The slow-down in slaughter helped bolster wholesale beef prices but it presents challenges for feedlots that are struggling to gain leverage in dealing with packers.
- Dairy cow herd in February was the highest since the mid 1990s. Rising feed costs, uncertainty about dairy demand/prices and drought pressures in California and Texas could result in an increase in US dairy cow slaughter this year.
- US beef cow slaughter could also increase if drought pressures increase in the Southern Plains. A recent USDA analysis suggests expanding drought in the next three months.
- Australian shipments to the US for March currently projected up 30%. Brazil total beef exports in February were down 8% but exports to China increased 50%. In February, 65% of Brazilian beef exports went to China and Hong Kong.

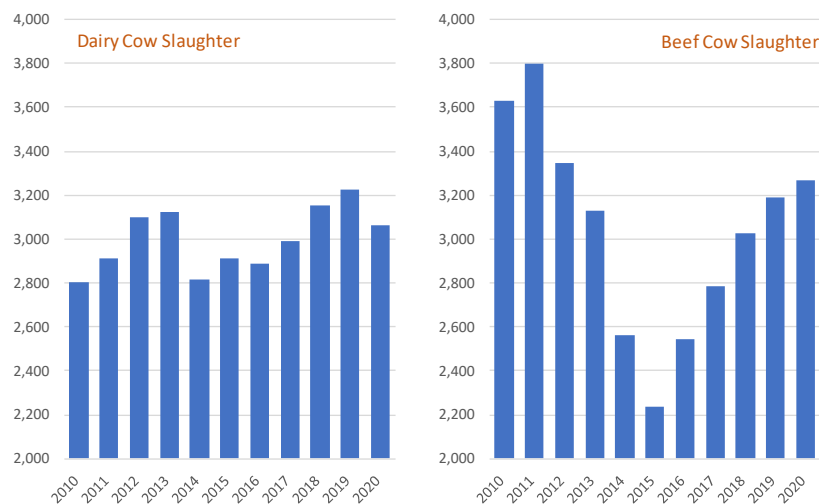
Imported Market Activity for the Week

Imported beef prices were steady to modestly higher last week as supply in the spot market remains limited and Australian shipments continue to track well below year ago levels. Higher prices for competing proteins, especially the spike in the price of various pork processing items has stirred up talk of escalating meat price inflation this spring and summer. US domestic lean beef prices were modestly lower last week but that was largely a function of the increase in

non-fed cattle slaughter following supply disruptions in February. Foodservice demand is slowly improving and it is expected to be notably better in late April and May as a larger share of the US population will be inoculated against COVID. Seasonally cow slaughter declines in the spring and summer and participants are right to be concerned about lean beef values when retailers jump in the market to fill Memorial Day needs. The main challenge for end users at this time is assessing the supply available later this spring and summer. In the next page we discuss current trends in dairy

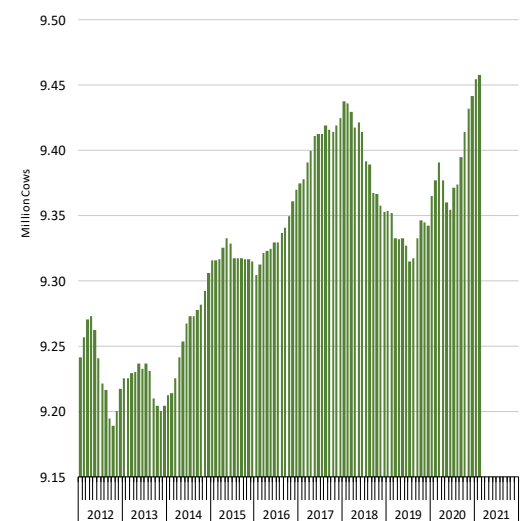
US Annual Dairy and Beef Cow Slaughter: 2010 - 2020

Source: USDA-NASS. Analysis by Steiner Consulting



Monthly Inventory of US Milk Cows. Million Head

Source: USDA-NASS



cow slaughter and potential supply increases given the recent increase in dairy cow inventories. Drought conditions could also keep beef cow slaughter higher than some producers may like. So while everyone is gearing up for more inflation/higher prices, there is a possibility demand rationing (due to current high price expectations) and relatively high slaughter may help keep prices in check. For now that is mostly a possibility rather than a likely scenario. The current spike in the value of pork trim has been a reminder for buyers how inelastic the market can be in the near term.

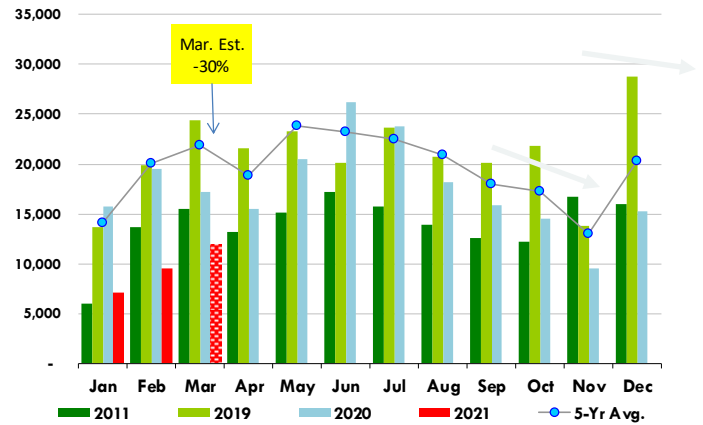
Market highlights

- The USDA Seasonal Drought Outlook report issued last week points to continued drought conditions in much of the Western US and highlights the possibility that drought conditions may extend further in the Southern Plains and parts of the High Plains region. California is the biggest dairy producer. Continued drought and high feed costs could encourage some dairy herd liquidation in the state. Texas has also emerged as a major dairy producer and ongoing drought conditions there also threaten the dairy industry. But drought presents significant risks for US beef cow producers. Drought in the Southern Plains during the early 2010s forced the liquidation of almost a quarter the beef cow inventory in Texas. At the start of 2009, the beef cow inventory in Texas was near 5.2 million head. Five years later, it had dropped to almost 3.9 million. Texas beef cow herd has recovered since then and at the start of this year it was estimated to be 775k head or 20% higher than in 2014. Expanding drought and higher feed costs could see increased liquidation in that state and surrounding areas. In the short term this may bolster lean beef supplies but it could also set the stage for significant price inflation in 2022 and beyond.

- Australian beef exports improved modestly last week, and we have revised our estimate for March by 500MT. Still, projected shipments to the US in March currently stand at just 12,000 MT, 30% lower than a year ago and lower than the export pace in 2011, a year that saw a sharp contraction in Australian exports to the US. Australian beef exports to the US for Q1 are now projected at 28,560 MT, down 23,800 MT or 45% compared to a year ago. Shipments from New Zealand continue to run above year ago levels although we do not yet have the official statistics for the month of February. In January New Zealand shipments of fresh/frozen

AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

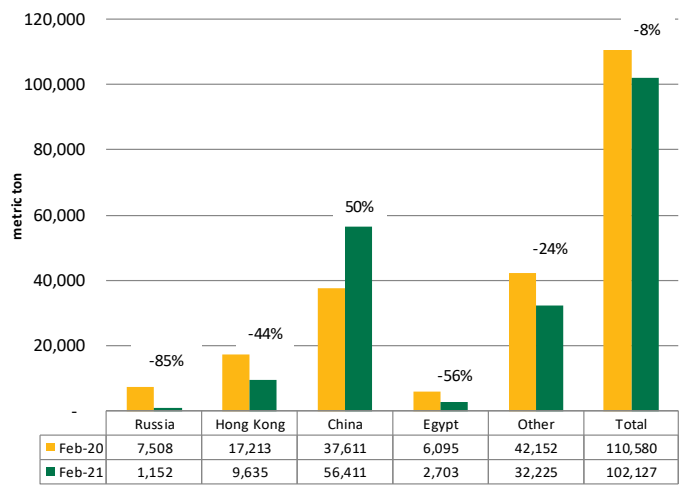
Monthly Exports. Metric Ton. Source: DAFF + Steiner Projections for Latest Month



Brazil Fresh/Frozen Beef Exports

Latest Data for February

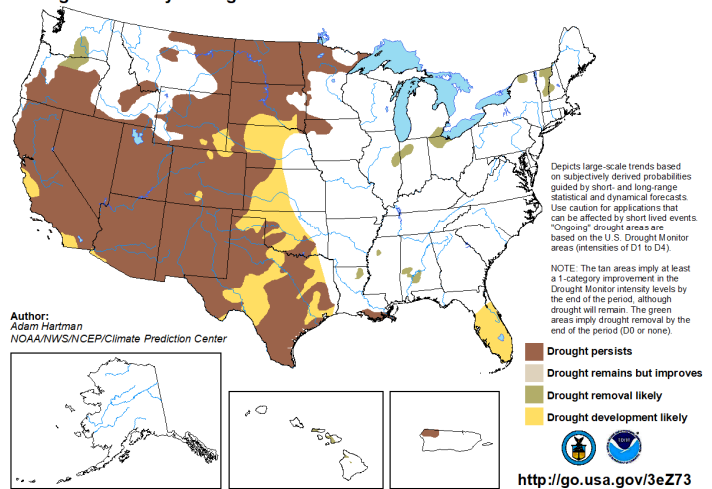
Units: Metric Tons



U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period

Valid for March 18 - June 30, 2021
Released March 18



beef to the US were 14,125 MT, 8% higher than a year ago. Shipments to the US should climb over 20,000 MT in March and April. However, robust global dairy prices and an improvement in moisture conditions may slow down the pace of slaughter in the near term. Brazil continues to divert

more product away from other markets and towards China. In February Brazilian beef shipments were down 8% and yet exports to China increased 50%. In February, China and Hong Kong accounted for 65% of all Brazilian beef exports. Brazilian beef shipments to the US remain minimal at just a little under 1,500 MT in February and 2,800 MT in the first two months of the year.

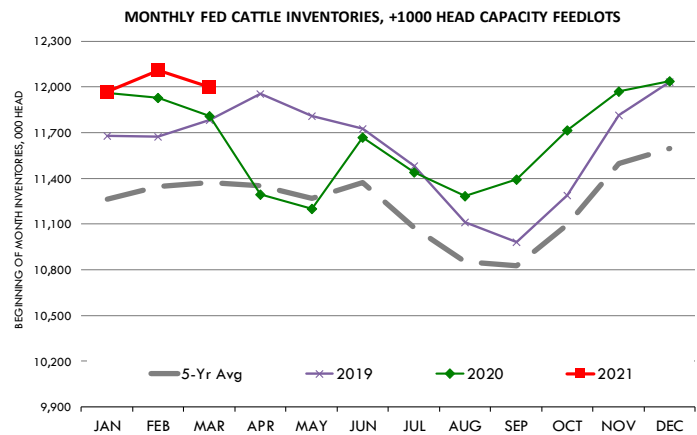
- The March 1 the inventory of cattle in feedlots with +1000 head capacity was estimated at 12.000 million head, 189k head or 1.6% higher than the previous year. Analysts polled ahead of the report were expecting the inventory to be up 1.5%. As has been the case for some time, the inventory of cattle on feed remains front loaded, with significantly more market ready cattle than a year ago. This continues to impact both the cash market and spread action in futures. Per our calculations, the inventory of cattle that on March 1 had been on feed for 150 days or more was 2.658 million head, 598k head or 29% higher than a year ago. The inventory of cattle with 120– days or longer on feed was estimated at 4.787 million head, 324k head or 7.3% higher than last year. Fed cattle weights declined sharply in February due to the impact of freezing weather that reached as far south as Texas. However, in the last two weeks weights have stalled and the slowdown in the marketing rate continues to work against feedlots that are struggling to gain leverage in the spot market. Beef demand remains good and it is expected to improve in late April and May. However, in the near term, the large supply of market ready cattle remains a challenge. Different from the hog market, the US cattle market is not linked to wholesale prices and the current situation continues to bolster packer margins.

- The milk production report issued by USDA on Thursday now pegs the dairy herd at 9.458 million head, the highest since the mid 1990s. Does the larger herd imply a higher cull rate and thus an increase in the number of dairy cows coming to market in 2021? We think the answer is yes. Milk prices are expected to be lower in 2021. Futures are currently pricing Class III milk at \$17.5/cwt, down 4.7% from a year ago. And feed costs for 2021 are on pace to be the highest since 2012. A higher inventory, even with a normal culling rate, will result in more dairy cows coming to market. In Jan/Feb of this year the ratio of cow slaughter vs. the monthly dairy cow inventory has been high-

U.S. ALL CATTLE ON FEED: 1,000+ CAPACITY FEEDLOTS

Source: USDA/NASS. Analyst Estimates from Urner Barry

	Number, Thousand Head			Current Year as % of Year Prior		
	2019	2020	2021	Actual	Estimates	Difference
Placed on Feed During Feb	1,858	1,716	1,684	98.1	98.3	-0.2
Fed Cattle Marketed in Feb	1,683	1,775	1,732	97.6	97.4	0.2
On Feed March 1	11,785	11,811	12,000	101.6	101.5	0.1



er than in 2020 and also above the five year average. If high feed costs cause the culling ratio to approach the levels we saw in 2012, then **dairy cow slaughter in 2021 could approach 3.2 million head, 130k head or 4.3% above what we saw in 2020 and close to 2019 levels.**

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	18-Mar-21	11-Mar-21		19-Mar-20	
CME FEEDER CATTLE INDEX	134.03	134.13	-0.1%	121.38	10.4%
	19-Mar-21	12-Mar-21		20-Mar-20	
FED STEER (5-MKT AVG)	114.19	113.46	0.6%	109.21	4.6%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	116.00	112.00	3.6%	112.50	3.1%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	116.00	115.00	0.9%	115.50	0.4%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	113.50	113.50	0.0%	113.00	0.4%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	187.00	188.33	-0.7%	182.43	2.5%

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
	19-Mar-21	248.0	12-Mar-21	247.0		20-Mar-20		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	246.0	248.0	244.0	247.0	1.0	211.0	214.0	34.0
90 CL Blended Cow	225.0	226.0	225.0	226.0	0.0	203.0	205.0	21.0
90 CL Shank		230.0		230.0	0.0	205.0	206.0	24.0
85 CL Fores	202.0	205.0	200.0	202.0	3.0	185.0	189.0	16.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	246.0	247.0	244.0	246.0	1.0	210.0	213.0	34.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings	202.0	203.0	200.0	201.0	2.0	184.0	187.0	16.0
80 CL Trimmings		UNQ		UNQ	N/A	173.0	175.0	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, CIF</u>								
Cap Off Steer Insides	310.0	315.0	310.0	315.0	0.0	290.0	295.0	20.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats		270.0		270.0	0.0		UNQ	N/A
Steer Knuckles	260.0	265.0		265.0	0.0	255.0	260.0	5.0

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

	Current Week		Prior Week		Change From Last Week	Last Year		Change From Last Year
	19-Mar-21	256.0	12-Mar-21	256.0		20-Mar-20	230.0	26.0
<u>US East Coast Australian/NZ Lean, FOB US Port</u>								
95 CL Bull, E. Coast	255.0	256.0	255.0	256.0	0.0	227.0	230.0	26.0
90 CL Blended Cow	234.0	235.0	234.0	235.0	0.0	212.0	213.0	22.0
90 CL Shank		239.0	236.0	237.0	2.0	210.0	211.0	28.0
85 CL Fores	212.0	214.0		212.0	2.0	199.0	200.0	14.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast		255.0	254.0	255.0	0.0	228.0	229.0	26.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, FOB US Port</u>								
85 CL Trimmings	212.0	213.0	210.0	211.0	2.0	198.0	200.0	13.0
80 CL Trimmings	183.0	184.0		UNQ	N/A	188.0	189.0	-5.0
75 CL Trimmings		UNQ		UNQ	N/A	171.0	172.0	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	320.0	325.0	320.0	325.0	0.0	295.0	300.0	25.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	275.0	280.0	275.0	280.0	0.0		UNQ	N/A
Steer Knuckles	265.0	270.0		270.0	0.0	265.0	270.0	0.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year	Change from Last Year		
	19-Mar-21	12-Mar-21		20-Mar-20							
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	229.99			225.87			4.1	253.75			-23.8
Select Cutout	219.95			220.27			-0.3	240.17			-20.2
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	226.5	236.5	231.4	229.0	240.0	232.3	-1.0	223.5	248.0	229.6	1.8
85 CL Beef Trimmings	190.0	220.0	201.4	188.0	217.0	201.2	0.3	183.7	226.3	198.0	3.4
50 CL Beef Trim	36.0	58.0	46.8	32.0	56.0	43.6	3.2	43.0	75.0	56.8	-10.0
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	66.9	103.3	88.4	42.2	75.0	58.4	30.0	20.0	50.5	26.4	62.0
72 CL Pork Trim	98.5	152.0	121.4	93.8	139.5	108.6	12.8	65.0	101.8	74.6	46.7
<u>Point of Lean Values</u>											
90 CL Domestic	257.1			258.1			-1.1	255.1			2.0
50 CL Beef Trimming	93.6			87.2			6.4	113.5			-19.9
42 CL Pork Trim	210.5			139.0			71.5	62.8			147.6
72 CL Pork Trim	168.6			150.8			17.7	103.6			64.9
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	114.19			113.46			0.7	109.21			5.0

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last		Last Year	Change From	
			Week			Last Year	
	19-Mar-21	11-Mar-21			20-Mar-20		
<u>Live Cattle Futures</u>							
April '21	118.400	118.525	↓	-0.13	98.650	↑	19.75
June '21	118.675	119.675	↓	-1.00	89.525	↑	29.15
August '21	117.775	118.650	↓	-0.88	90.750	↑	27.03
October '21	121.500	122.525	↓	-1.03	94.000	↑	27.50
<u>Feeder Cattle Futures</u>							
March '21	134.675	135.250	↓	-0.57	120.725	↑	13.95
Apr '21	139.425	141.275	↓	-1.85	118.825	↑	20.60
May '21	144.675	146.400	↓	-1.72	118.250	↑	26.43
August '21	154.925	154.475	↑	0.45	123.800	↑	31.13
<u>Corn Futures</u>							
March '20	557.750	538.500	↑	19.25	343.750	↑	214.00
May '20	538.750	528.250	↑	10.50	349.500	↑	189.25
July '20	489.500	500.000	↓	-10.50	354.750	↑	134.75
September '20	471.500	483.500	↓	-12.00	354.750	↑	116.75
<u>Ch Wheat Futures</u>							
March '20	627	642 1/2	↓	-15.50	539 1/4	↑	87.75
May '20	619 1/4	635 1/2	↓	-16.25	535 3/4	↑	83.50
July '20	619 1/2	636 1/4	↓	-16.75	538 1/4	↑	81.25
September '20	626 1/2	642 3/4	↓	-16.25	546 3/4	↑	79.75

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last		7 Days Ending	Change From	
			Week			Last Year	
	19-Mar-21	12-Mar-21			21-Mar-20		
<u>Total Cattle Slaughter</u>	624,000	647,000	↓	-23,000	660,000	↓	-36,000
	6-Mar-21	27-Feb-21			7-Mar-20		
<u>Total Cow Slaughter</u>	138,451	134,930	↑	3,521	126,012	↑	12,439
<u>Dairy Cow Slaughter</u>	70,447	71,643	↓	-1,196	65,009	↑	5,438
<u>Beef Cow Slaughter</u>	68,004	63,287	↑	4,717	61,003	↑	7,001

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

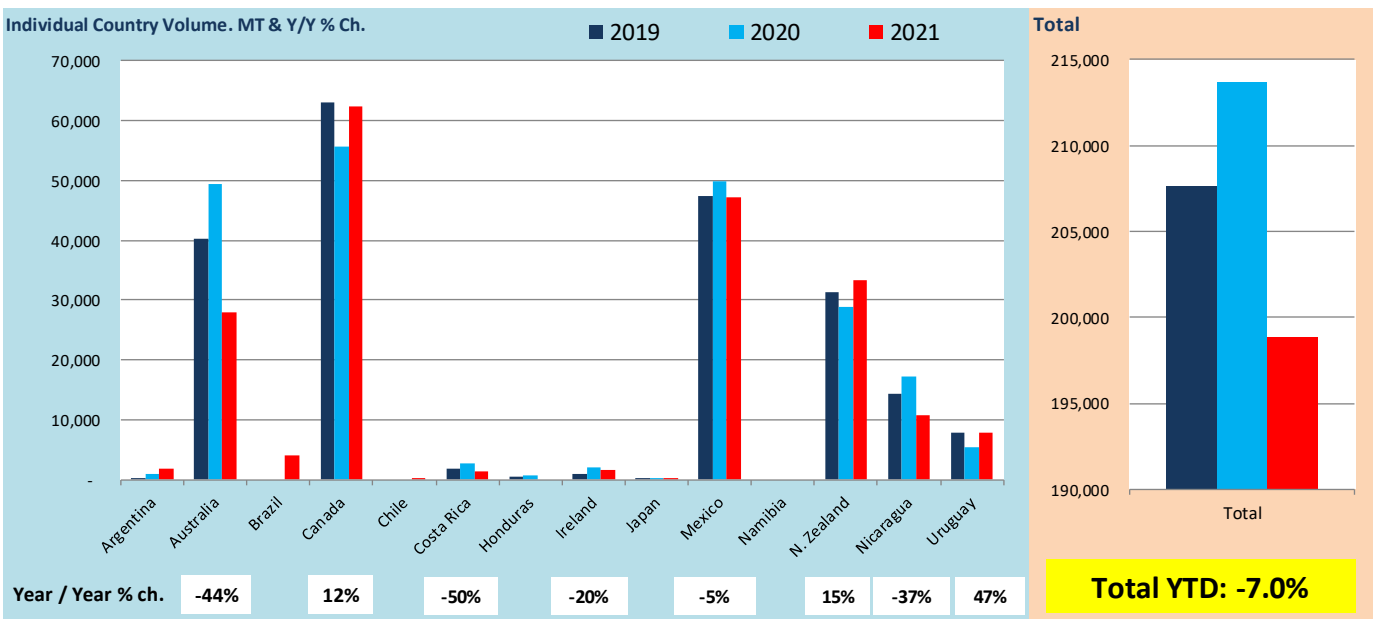
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 11	3/14/2020	3/13/2021		
Argentina	1,064	1,855	791	
Australia	49,507	27,893	(21,614)	-43.7%
Brazil	-	4,134	4,134	
Canada	55,700	62,273	6,573	11.8%
Chile	-	58	58	
Costa Rica	2,788	1,395	(1,393)	-50.0%
France	-	-	-	
Honduras	828	-	(828)	-100.0%
Ireland	2,120	1,700	(420)	-19.8%
Japan	110	143	33	30.0%
Mexico	49,909	47,196	(2,713)	-5.4%
Namibia	-	-	-	
Netherlands	-	-	-	
New Zealand	28,961	33,415	4,454	15.4%
Nicaragua	17,299	10,831	(6,468)	-37.4%
Spain	-	-	-	
Uruguay	5,393	7,922	2,529	46.9%
Total	213,679	198,816	(14,863)	-7.0%

Source: AMS - USDA

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

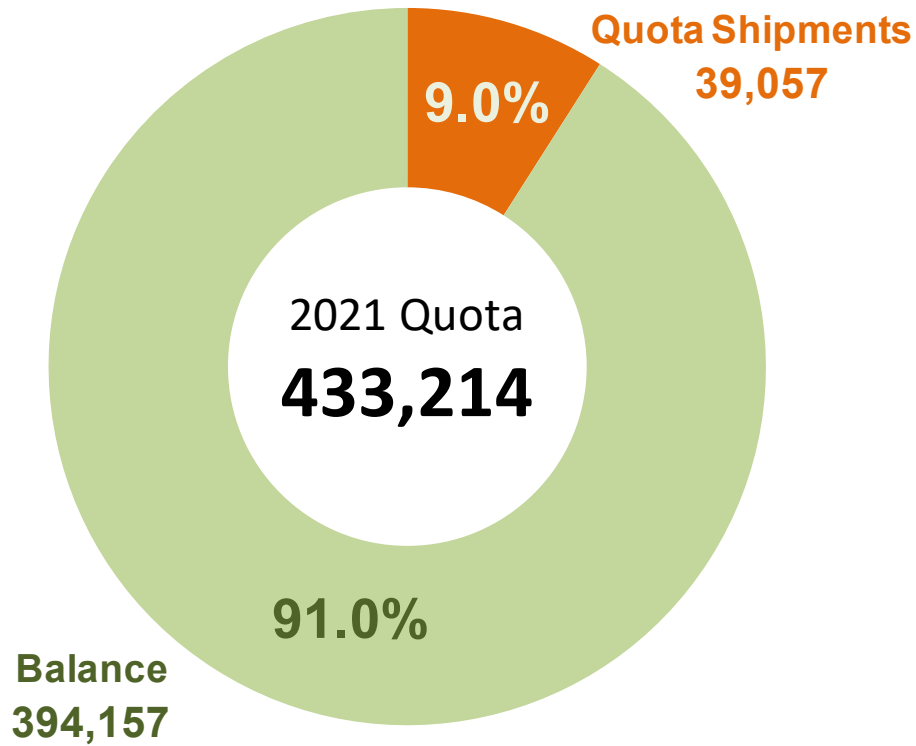
Imports as of March 13, 2021



Australian Beef Quota Position

18-Mar-21

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending March 15. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

