US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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Market Highlights for the Week:

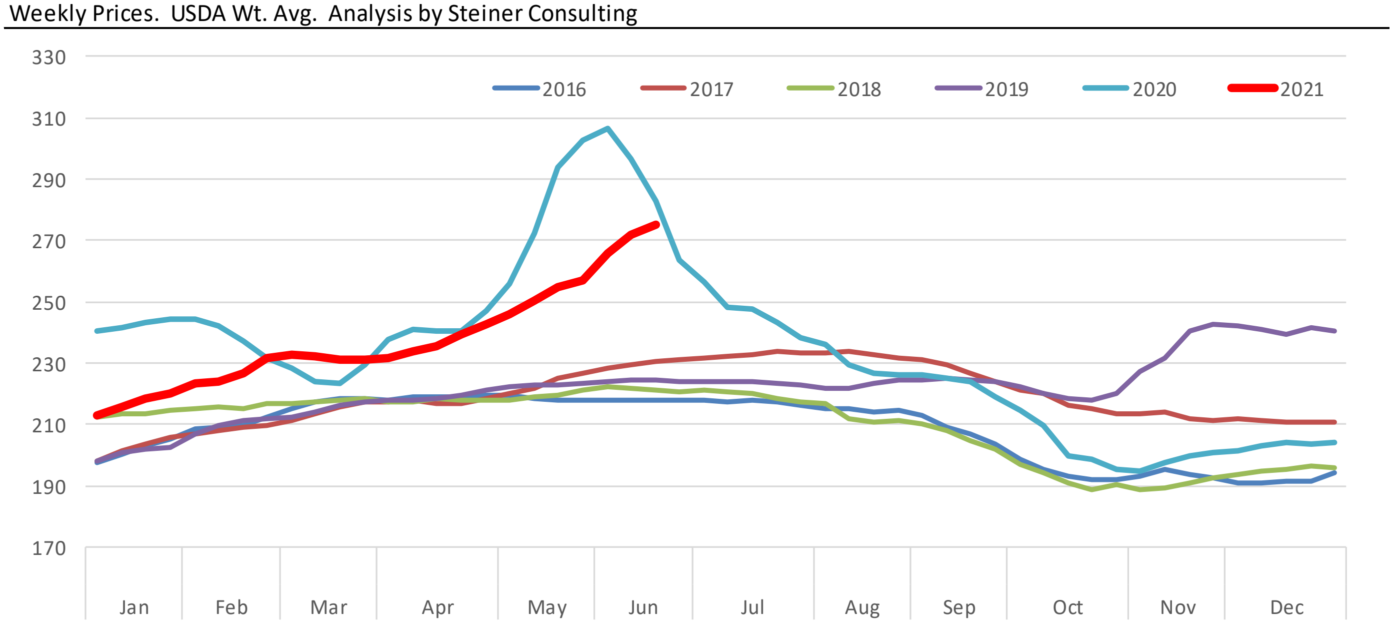
- Prices for imported beef continue to trade at a premium to domestic on limited supply availability.
- Strong competition from other markets continues to limit the amount of imported beef coming to the US. We expect total Australian beef exports in June to be down 26% but shipments to the US are expected to be 52% lower than the previous year.
- US beef cow slaughter during Apr/May was 20% higher than a year ago and 10% higher than in 2019. Drought pressures in some regions habe forced producers to liquidate and the situation is expected to get worse this summer as conditions are expected to worsen.
- Argentina is expected to reopen its beef exports soon but with export caps that could see shipments cut in half in some cases.

Imported Market Activity for the Week

Imported beef trade was slow to develop as overseas packers continue to hold firm in their offerings. Some market participants noted that Central American product traded at a discount but on relatively limited volume. Spot prices were lower by 2-3 cents as importers looked to book profits on product they secured a couple of months ago. However, getting product bought for delivery further out remains difficult and buyers need to pay a premium to current spot levels. Market participants are split in their assessment of the market. High prices for beef cuts and broad based inflationary trends are expected to keep lean beef values well supported well into the fall. However, the experience of the last three years has end users approaching this market very cautiously, It was not long ago when imported beef prices traded sharply higher only to collapse just as quickly. Naturally buyers are balking at paying current lofty prices for product that may not deliver until September. The current break in the price of some beef and pork cuts was a reminder that volatility in the meat

Domestic Fresh 90CL Boneless Beef Price History. $/cwt

Weekly Prices. USDA Wt. Avg. Analysis by Steiner Consulting



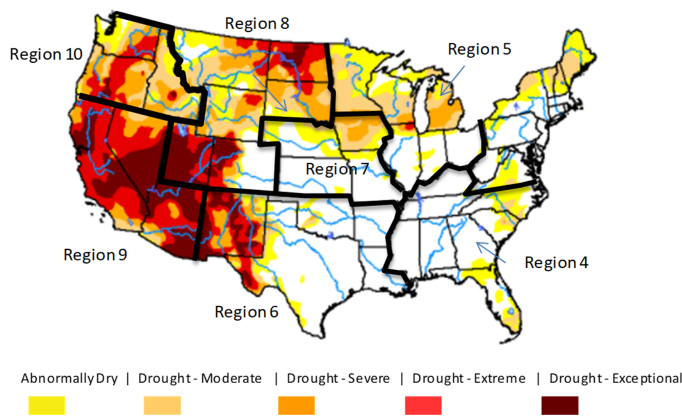
market remains well and good. Fat trim imported supply is almost non existent given the wide spread between domestic and imported product. Overseas markets reportedly are paying significant premiums to what the US market can carry. Prices for round cuts have also carried significant premiums but supply is quite limited due to continued strong competition from Asian markets. A similar situation has developed for 100VL product, with demand far outpacing available supply.

Other market highlights from the week

- Cattle and hog slaughter closed the week higher than we had initially expected. Cattle slaughter was 663k this week, about the same as the week before. Until now packers had trouble stringing back to back weeks of high Saturday slaughter but that was the case this week. The upcoming holiday and short spot beef supplies likely encouraged packers to run hard this week.
- Cow-calf operators in Western states, Northern Plains and the Lakes region continue to struggle with drought conditions. The latest USDA crop progress report indicated that 36% of pastures and ranges are in poor or very poor condition compared to 22% a year ago. About 33% of cattle producing areas are now in drought affected areas compared to 30% the previous week. Drought pressure has resulted in more beef cows going to market even as the beef cow herd is lower than it was in 2020 or 2019. USDA provides a breakdown of weekly slaughter by region and the data illustrates the impact that drought is having in some areas. Beef cow slaughter in region 9, which includes California, was 45,200 head during Apr/May and hte first week of June. This is 52% higher than the same period in 2019 (COVID disrupted slaughter last year and does not provide a good basis for comparison). Beef cow slaughter in region 6, which has been only partially affected by drought, is up 25% from 2019. Drought conditions have yet to impact cow slaughter in region 8 but a number of reports suggest that the next two months will be critical as producers are running out of feed and may have to liquidate their herds.
- Despite current high prices, little has changed

USDA Federal Regions & Current Drought Monitor

Cow Slaughter Region Definition from SJ_LS714. Drought Monitor as of June 6, 2021

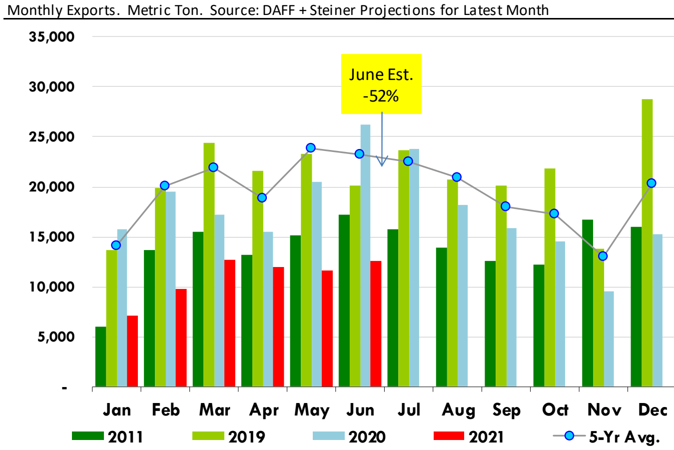


BEEF COW SLAUGHTER

	2019 Apr/May	2021 Apr/May	head	%
Region 3	27.8	15.7	-12.1	-44%
Region 4	73.6	92.6	19.0	26%
Region 5	93.9	107.6	13.7	15%
Region 6	136	168.6	32.6	24%
Region 7	124.7	123.1	-1.6	-1%
Region 8	67.3	61.1	-6.2	-9%
Region 9	29.8	45.2	15.4	52%
Region 10	54.6	56	1.4	3%
Other	1.1	1.2	0.1	-54%
Total	608.8	671.1	62.3	10%

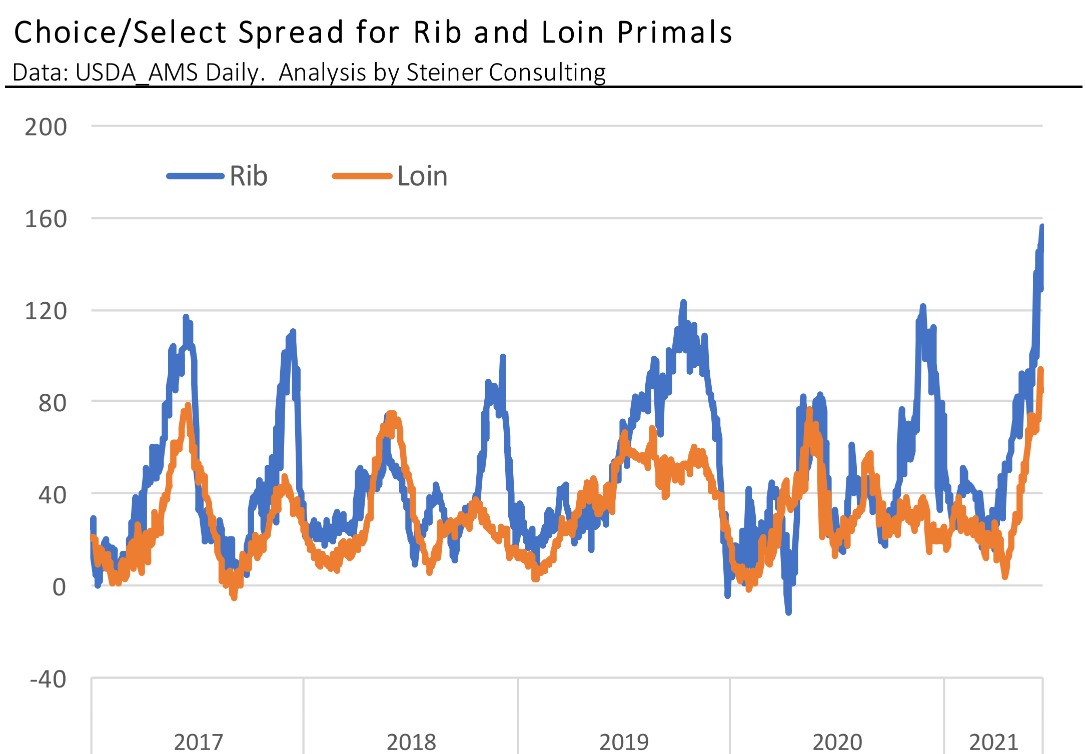
AUSTRALIAN BEEF EXPORTS TO THE UNITED STATES

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



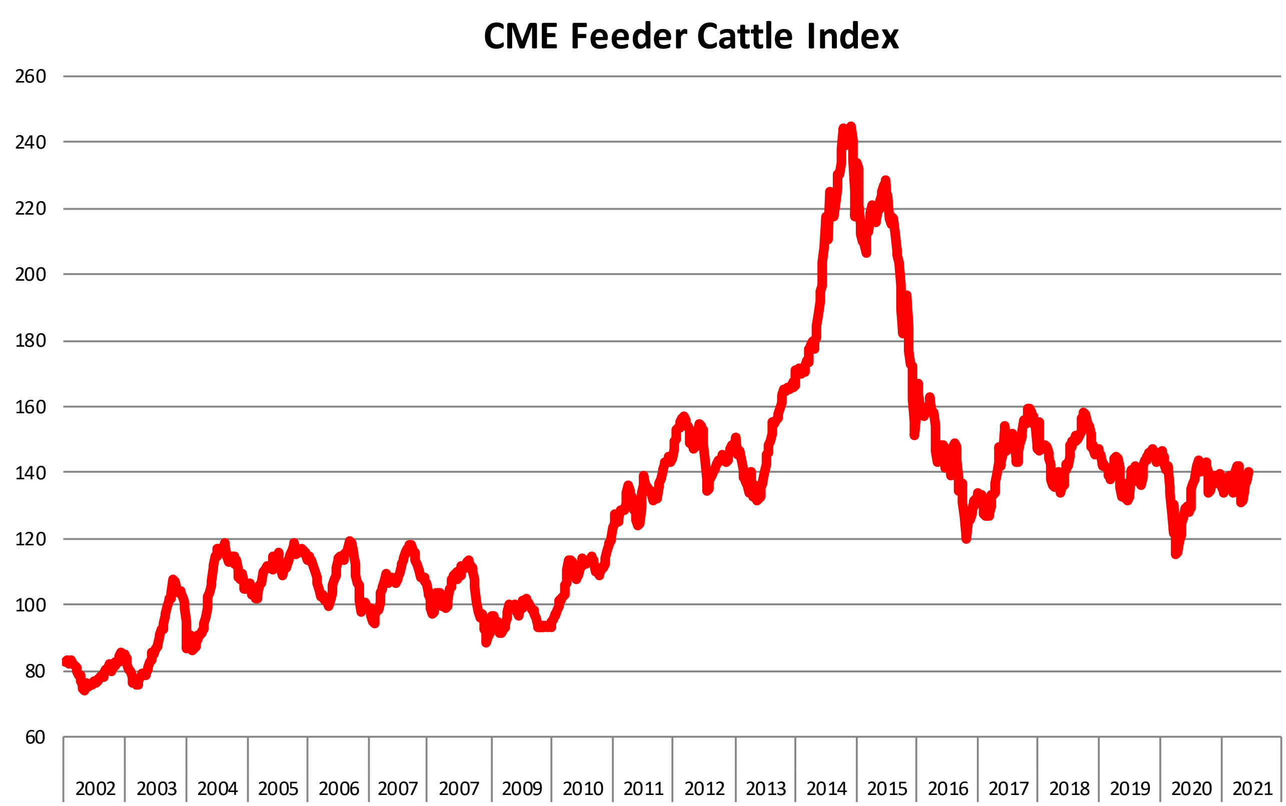
about the pace of Australian beef shipments to the US. Currently, we estimate that Australian beef shipments to the US for June at 12,600 MT, 52% lower than the previous year. Total Australian beef shipments for the month are projected at 71,500 MT. 26% lower than a year ago.

- According to reports from Argentina, government and producers are close to reaching an agreement that could see resumption of beef exports. A new export control system is expected to be in place that will limit the amount of beef going to outside markets. It is expected that quota-controlled exports to the US and EU will not be affected. However, exports going to other markets, which largely means China, may be cut by 50%. There is no confirmation yet on this proposed system but, if true, it would represent a significant impact for Chinese buyers. Argentina is the second largest beef supplier to China and the potential loss of half of that supply could force Chinese buyers to reduce overall beef imports, try to secure an even bigger share of exports from Brazil and increase purchases from other markets including New Zealand and US. Political considerations so far limit how much China is willing to buy from Australia. Ultimately, the reduction in Argentine supplies will impact the broader market by removing a significant amount of product from the exportable supply.
- The premium of choice beef vs. select hit an all time record level last week. Seasonally choice beef premium to select peaks in late May as retailers and foodservice operators compete to secure steak cuts for the Memorial Day weekend. Choice beef supply is also at its lowest point of the year in May, further contributing to the widening spread. This year, however, demand for middle meats has held strong through June. Also, feedlots have become incrementally more current and fed cattle weights have been moving counterseasonlly lower. The high price of choice beef middle meats has already caused retailers to shift to less expensive cuts and ground beef, bolstering lean beef values.



CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	17-Jun-21	10-Jun-21		18-Jun-20	
CME FEEDER CATTLE INDEX	141.28	140.23	0.7%	128.01	10.4%
	18-Jun-21	11-Jun-21		19-Jun-20	
FED STEER (5-MKT AVG)	122.87	119.98	2.4%	101.17	21.4%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	125.00	126.50	-1.2%	127.50	-2.0%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	128.50	128.50	0.0%	128.50	0.0%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	137.00	132.50	3.4%	115.00	19.1%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	226.60	222.13	2.0%	202.19	12.1%



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-Jun-21		**11-Jun-21**			**19-Jun-20**		
US East Coast Australian/NZ Lean, CIF								
95 CL Bull, E. Coast	291.0	292.0		290.0	2.0	255.0	259.0	33.0
90 CL Blended Cow	270.0	271.0	270.0	271.0	0.0	230.0	235.0	36.0
90 CL Shank		UNQ		UNQ	N/A	235.0	240.0	N/A
85 CL Fores	248.0	250.0	245.0	250.0	0.0	215.0	220.0	30.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	289.0	290.0		289.0	1.0	255.0	258.0	32.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, CIF								
85 CL Trimmings	247.0	248.0	246.0	247.0	1.0	215.0	218.0	30.0
80 CL Trimmings	227.0	228.0	225.0	227.0	1.0	208.0	210.0	18.0
75 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, CIF								
Cap Off Steer Insides	375.0	380.0	380.0	385.0	-5.0	300.0	305.0	75.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	310.0	315.0		315.0	0.0		UNQ	N/A
Steer Knuckles	300.0	305.0		305.0	0.0	275.0	280.0	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
	18-Jun-21		11-Jun-21			19-Jun-20		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	300.0	302.0	300.0	302.0	0.0	268.0	270.0	32.0
90 CL Blended Cow	280.0	281.0	281.0	282.0	-1.0	245.0	246.0	35.0
90 CL Shank		UNQ		UNQ	N/A	248.0	250.0	N/A
85 CL Fores	259.0	260.0		260.0	0.0	225.0	228.0	32.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	298.0	300.0	298.0	300.0	0.0	267.0	269.0	31.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	258.0	259.0	258.0	259.0	0.0	225.0	226.0	33.0
80 CL Trimmings		240.0		240.0	0.0	215.0	216.0	24.0
75 CL Trimmings	220.0	225.0		UNQ	N/A	200.0	205.0	20.0
65 CL Trimmings		UNQ		UNQ	N/A		UNQ	N/A
US East Coast Australian Cuts, FOB US Port								
Cap Off Steer Insides	390.0	400.0	400.0	405.0	-5.0	315.0	320.0	80.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	340.0	345.0	345.0	350.0	-5.0		UNQ	N/A
Steer Knuckles	315.0	320.0		320.0	0.0	290.0	295.0	25.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	18-Jun-21			11-Jun-21				19-Jun-20			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
Domestic Cutouts											
Choice Cutout		323.28			337.56		-14.3		213.72		109.6
Select Cutout		283.61			305.21		-21.6		203.91		79.7
Domestic Lean Grinding Beef											
90 CL Boneless	270.0	281.5	275.4	264.0	285.0	271.9	3.5	220.0	285.8	263.8	11.6
85 CL Beef Trimmings	244.0	290.0	256.8	227.0	275.0	248.9	7.9	176.0	265.0	227.4	29.3
50 CL Beef Trim	93.0	117.3	104.1	76.0	109.0	97.8	6.3	47.5	90.9	79.7	24.4
Domestic Pork Trim											
42 CL Pork Trim	90.6	126.0	107.5	94.1	132.0	103.1	4.4	56.0	95.5	66.6	40.9
72 CL Pork Trim	111.8	169.8	128.0	123.5	165.8	133.5	-5.5	61.0	128.8	91.1	36.8
Point of Lean Values											
90 CL Domestic		306.0			302.1		3.9		293.1		12.9
50 CL Beef Trimming		208.2			195.6		12.6		159.3		48.9
42 CL Pork Trim		255.9			245.5		10.5		158.6		97.3
72 CL Pork Trim		177.7			185.4		-7.7		126.6		51.1
National Direct Fed Steer (5-day accum. wt. avg. price)		122.87			119.98		2.9		101.17		21.7

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

Futures Contracts	Current Week	Prior Week	Change From Last Week	Last Year	Change From Last Year
	18-Jun-21	11-Jun-21		19-Jun-20	
Live Cattle Futures					
June '21	121.050	118.700	↑ 2.35	94.700	↑ 26.35
August '21	121.550	120.025	↑ 1.52	95.400	↑ 26.15
October '21	126.950	125.775	↑ 1.18	98.850	↑ 28.10
December '21	130.500	130.575	↓ -0.07	102.850	↑ 27.65
Feeder Cattle Futures					
August '21	155.025	151.175	↑ 3.85	132.550	↑ 22.48
October '21	159.050	155.475	↑ 3.58	134.850	↑ 24.20
November '21	160.275	157.150	↑ 3.13	135.575	↑ 24.70
January '22	160.275	157.200	↑ 3.08	134.850	↑ 25.43
Corn Futures					
July '21	655.250	684.500	↓ -29.25	332.500	↑ 322.75
September '21	577.500	629.750	↓ -52.25	337.250	↑ 240.25
December '21	566.250	609.750	↓ -43.50	337.250	↑ 229.00
March '22	573.250	616.000	↓ -42.75	356.750	↑ 216.50
Ch Wheat Futures					
July '21	662 3/4	680 3/4	↓ -18.00	481 1/4	↑ 181.50
September '21	665 3/4	685 3/4	↓ -20.00	485 1/4	↑ 180.50
December '21	671 1/4	693 1/4	↓ -22.00	494 1/4	↑ 177.00
March '22	677 1/4	700	↓ -22.75	503 3/4	↑ 173.50

Slaughter Information	7 Days Ending	7 Days Ending	Change From Last Week	7 Days Ending	Change From Last Year
	18-Jun-21	11-Jun-21		19-Jun-20	
Total Cattle Slaughter	663,000	665,000	↓ -2,000	646,000	↑ 17,000
	5-Jun-21	29-May-21		6-Jun-20	
Total Cow Slaughter	105,968	124,286	↓ -18,318	119,800	↓ -13,832
Dairy Cow Slaughter	46,472	53,592	↓ -7,120	53,600	↓ -7,128
Beef Cow Slaughter	59,496	70,694	↓ -11,198	66,200	↓ -6,704

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

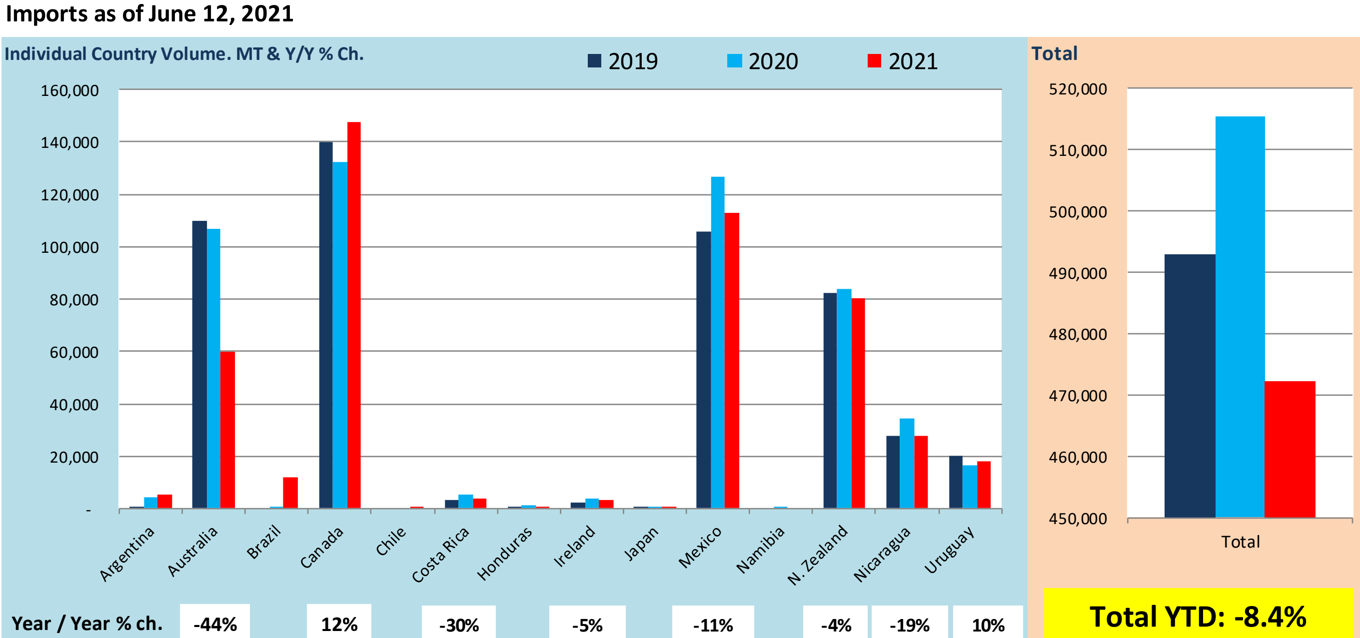
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 24	6/13/2020	6/12/2021		
Argentina	4,165	5,372	1,207	
Australia	106,722	59,964	(46,758)	-43.8%
Brazil	299	12,092	11,793	3944.1%
Canada	132,075	147,439	15,364	11.6%
Chile	-	150	150	
Costa Rica	5,406	3,767	(1,639)	-30.3%
France	-	-	-	
Honduras	1,405	22	(1,383)	-98.4%
Ireland	3,617	3,434	(183)	-5.1%
Japan	174	446	272	156.3%
Mexico	126,725	113,131	(13,594)	-10.7%
Namibia		-	-	
Netherlands	-	-	-	
New Zealand	84,008	80,466	(3,542)	-4.2%
Nicaragua	34,215	27,702	(6,513)	-19.0%
Spain	-	-	-	
Uruguay	16,625	18,206	1,581	9.5%
Total	515,460	472,191	**(43,269)**	**-8.4%**

Source: AMS - USDA

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

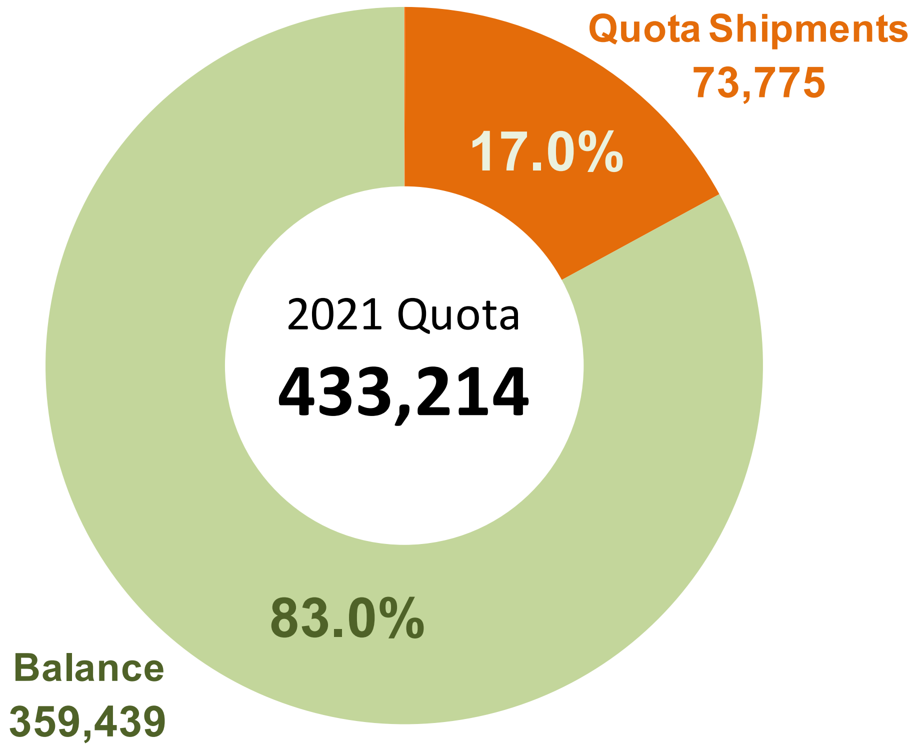
Imports as of June 12, 2021



Australian Beef Quota Position

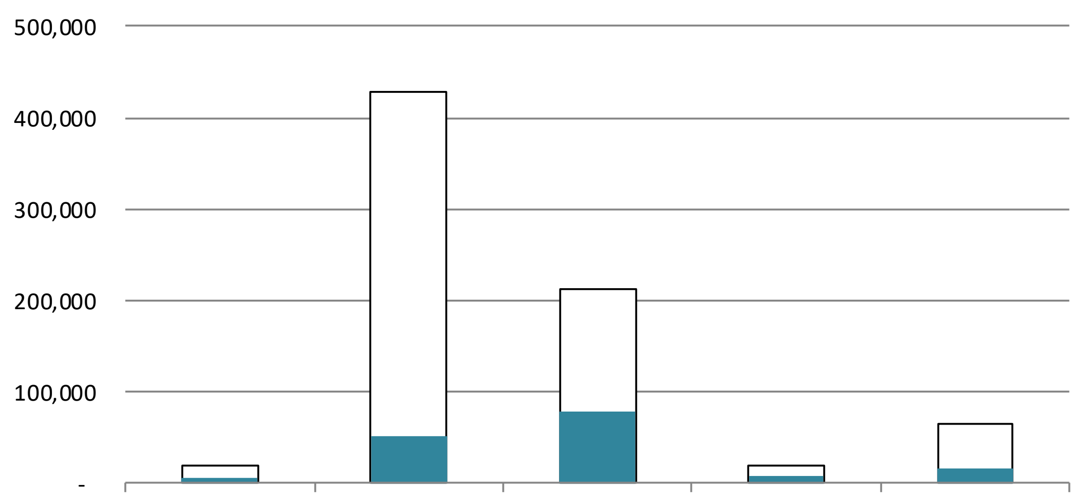
17-Jun-21

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending June 15. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting



	Argentina	Australia	New Zealand	Uruguay	Other
2020 YTD	4,379	96,130	82,572	10,292	4,078
2021 YTD	5,694	52,654	77,799	8,847	16,142
Y/Y %	30%	-45%	-6%	-14%	296%
Quota	20,000	428,214	213,402	20,000	65,005
% cleared	28%	12%	36%	44%	25%