



US Imported Beef Market

A Weekly Update

Prepared Exclusively for Meat & Livestock Australia - Sydney

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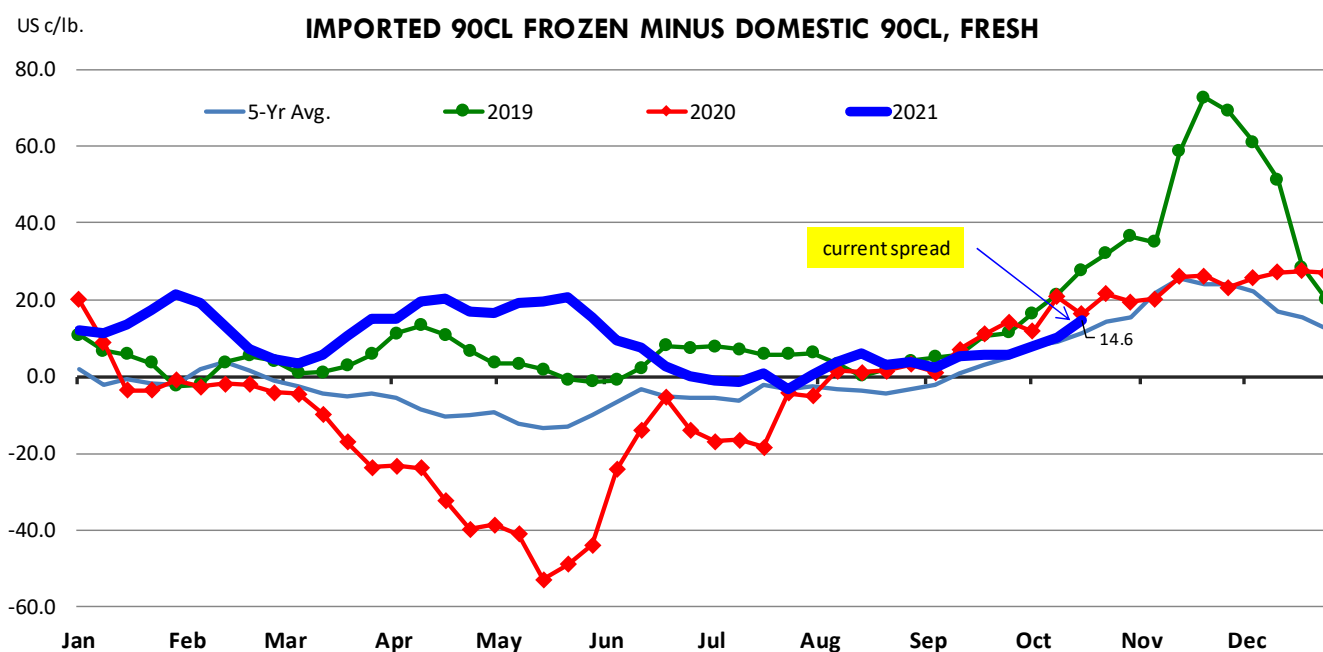
Market Highlights for the Week:

- Imported beef prices surged higher last week as end users looked to cover needs through the end of the year and early 2022. Spot supplies remain limited and overseas suppliers seem in no rush to book sales.
- Logistical bottlenecks continue to impact the ability of importers to deliver. End users that book product directly also are finding themselves short as clearing product is taking far longer than normal.
- Spread between imported and domestic lean beef is now as much as 14 cents a pound. Usually we see the spread widen during this time of year. The freight benefit that imported beef offers so far offsets the imported beef premium.
- Supply of boneless beef in cold storage at the end of September was 400 million pounds, 6.5% lower than a year ago and 11.2% lower than the five year average.
- Cattle on feed inventory as of October 1 was 11.6 million pounds, 1.4% lower than a year ago. Prior to the report analysts were expecting the feedlot supply to be only 0.7% lower than last year.

Imported Market Activity for the Week

Imported beef market was firm as spot supply remains limited and overseas packers continue to see good demand in other markets. Lean beef prices were higher across the board, while fat trim supply remains constrained and in the case of 75s and 65s trade was so limited as to make it hard to establish the market. Prices for lean cuts were also higher, in part due to still very firm prices for domestic round cuts. Following the MICA meetings

in Chicago, end users came away with a better appreciation of the supply chain challenges and potential for beef price inflation in 2022. While we have noted this often in this report, of particular concern is the fact that domestic lean beef prices have been high even as beef cow slaughter has often increased by double digits compared to a year ago and 2019. That trend is not sustainable due to the ever shrinking domestic cow herd. As we mentioned last week, domestic cow slaughter is expected to be down in 2022 while imports are not

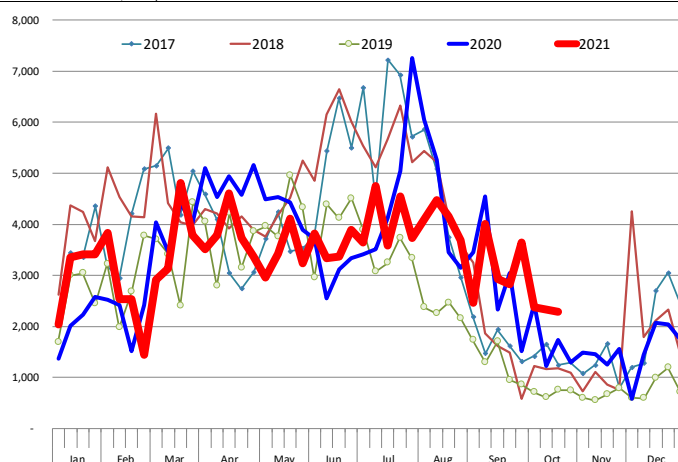


expected to increase, resulting in a significant net shortfall of lean beef supplies. This should start to become apparent in Q1 of next year, when domestic cow slaughter tends to decline. Domestic end users are looking to shore up their needs before the start of spring 2022.

The chart on page 1 shows that the spread between fresh, domestic 90CL beef and frozen imported 90CL beef is currently as high as 14 cents a pound. While the spread has widened compared to summer levels, it is largely following the seasonal trend for this time of year. Lower imports from New Zealand and lack of Australian product tends to bolster imported beef prices at a time when domestic market supplies are seasonally more plentiful. We would expect the spread to continue to widen in the near term, for a couple of reasons. First, we do not see a flood of New Zealand product coming to the US anytime soon. New Zealand export flows have shifted yet again, with more product going to China. The situation is not as dire as in 2019, when Chinese buyers sucked up a large portion of New Zealand beef and drove the spread of imported beef to domestic over 70 cents a pound. Still, the increased competition will work to widen the spread. The second reason concerns the impact of higher freight rates from the center of the country to coastal areas. It used to be that the freight from Central US to Philly would be around 10-12 cents. Now the freight cost is 18 cents or higher, with processors struggling to line up trucks and get full truckloads delivered.

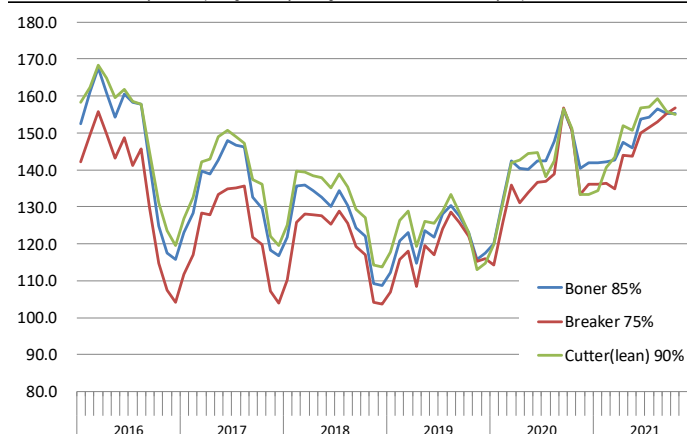
US cow prices have not matched and in certain cases exceeded the highs we saw a year ago. This is in line with projections earlier in the year. Usually we see prices dip at the end of the year as producers look to send cull cows to market ahead of winter. While it is reasonable to expect cow prices to ease a bit in Nov/Dec, we would expect the decline to be smaller than in previous years. A strong culling rate during the summer will tend to limit the number of cull cows available for slaughter. So far in October, the average price of 90% cutter cows was \$155.1/cwt, about \$0.7 lower than the September average. Last year October prices were down by more than \$5/cwt and in 2019 the m/m decline was over \$6/cwt. Firm cow prices will continue to underpin domestic lean grinding beef

US WEEKLY BEEF IMPORTS FROM NEW ZEALAND AS REPORTED BY USDA/AMS. FR/FZ BEEF ONLY. METRIC TON
Data Source: USDA Livestock, Poultry & Grain Market News



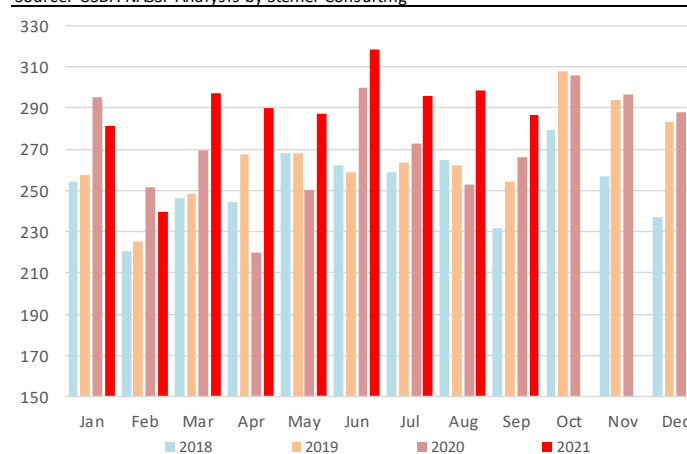
US Cow Prices. \$/cwt. Dressed Carcass Basis

Source: USDA Mandatory Price Reporting. Monthly Averages Calculated from USDA Daily Reports



Monthly Beef Cow Slaughter. '000 head

Source: USDA-NASS. Analysis by Steiner Consulting



and especially the price of cow cuts through the end of the year and especially in Q1 of 2022.

US cow slaughter has been running high all year and September was no different. It is a truly unprecedented situation where wholesale beef prices hit near record levels in August and yet cow-

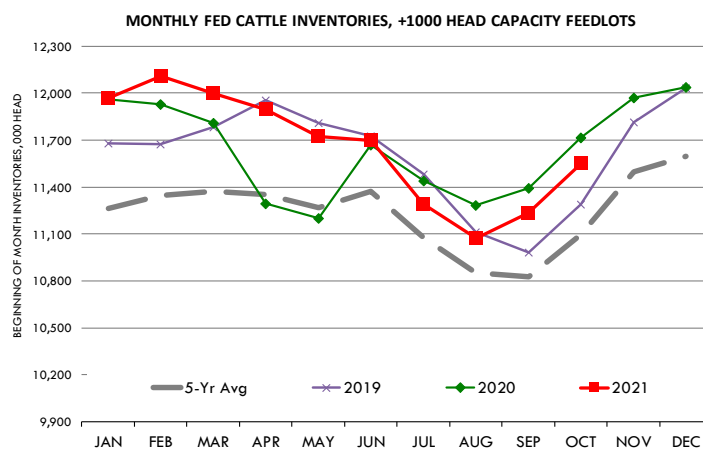
calf operators were forced to sell off their cows. Normally high beef prices are a signal to producers to hold on to their production base because the market is looking for more product. But that price signaling system has been disrupted for the moment by limited labor availability. The result will be higher beef prices for consumers in the coming years as beef supplies are likely to continue to decline. September total cow slaughter was 551,300 head, up near 35,000 head or 6.8% compared to a year ago. Beef cow slaughter was 286,700 head, 20,700 head higher than the previous year or +7.8%. Since the start of the year, US beef cow slaughter has increased by 217,200 head or 9.1% compared to the previous year. The increase in beef cow slaughter has come even as the beef cow herd on January 1, 2021 was 181k head smaller than the previous year and 533k head smaller than two years prior. The dairy cow slaughter in September was 264,600 head, down 14,200 head or 5.7% compared to the previous year. In addition to more cows coming to market, producers are also sending more heifers to slaughter. September heifer slaughter so far this year (Jan-Sep) has been 302,200 head or 4.3% higher than the previous year despite a smaller calf crop in 2019 and 2020.

Cattle on feed update

The total inventory of cattle on feed as of October 1 was estimated at 11.550 million head, 316k head higher than the previous month but 167k head or 1.4% lower than the previous year. Analysts polled ahead of the report expected the inventory to be 0.7% lower. The inventory of cattle that have been on feed for more than 120 days is estimated at 4.103 million head, 3.2% higher than a year ago and 267k head or 7% higher than the five year average. Inventory of cattle with +150 days on feed calculated at 2.259 million head, 13.6% higher than year ago and 22% higher than the five year average. When you wonder why fed cattle prices are stuck in place while cutout is at \$280/cwt, this number tells you why. Feedlots should slowly get more current as we go into the winter and market also maintains a weather premium but the pace of processing remains key.

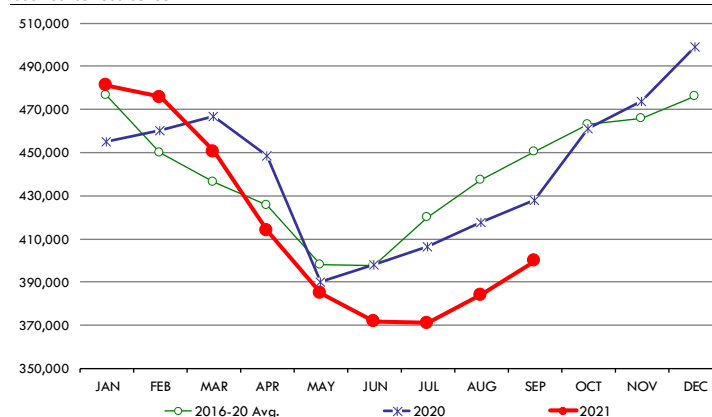
Cold Storage update

Inventories of red meat and poultry in cold storage at the end of September were 2.052 billion pounds, 11.5% lower than a year ago and 17.2%



Boneless Beef In Cold Storage at End of Month

000 Pounds. Source: USDA



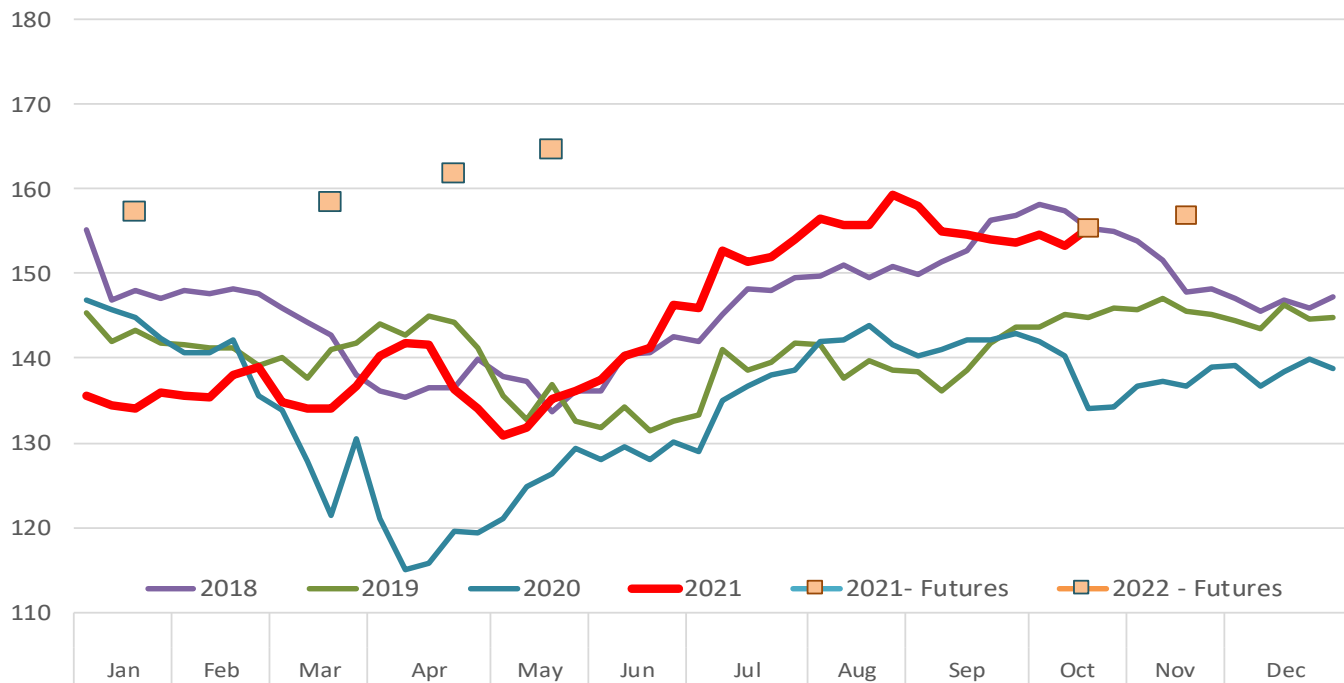
lower than the five year average. Those lower inventories will continue to support prices in the near term. However, the combined meat protein inventory increased 2.1% in September compared to the previous month compared to a 0.7% average increase for the last five years. The total supply of beef in cold storage at the end of September was estimated at 435.3 million pounds, 6% lower than a year ago and 11.3% lower than the five year average. Beef inventories seasonally increase in late summer and fall, in part because of preparations for year-end holidays but also due to a slowdown in demand. Freezer inventories in September increased 4.9% from the previous month compared to an average increase of 3.4% in the last five years. Inventory of beef cuts increased 15% from the previous month. It appears that buyers were aggressively putting product in the freezer in August and September as they prepare for year-end demand. The larger inventory should help temper price inflation, especially price inflation for beef ribs, in late November and December.

CME Cattle Feeder Index and US Cattle Markets

	Current Week	Prior Week	% CHANGE VS. WK AGO	Last Year	Change from Last Year
	21-Oct-21	14-Oct-21		22-Oct-20	
CME FEEDER CATTLE INDEX	155.34	153.35	1.3%	134.01	15.9%
	22-Oct-21	15-Oct-21		23-Oct-20	
FED STEER (5-MKT AVG)	124.40	123.76	0.5%	105.44	18.0%
CUTTER COW CARCASS, NATIONAL, 90% LEAN, 350-400 LB. (carcass wt.)	138.50	138.00	0.4%	117.50	17.9%
BONER COW CARCASS, NATIONAL, 85% LEAN, 400-500 LB. (carcass wt.)	139.00	139.00	0.0%	115.50	20.3%
BREAKER COW CARCASS, NATIONAL, 75% LEAN, 500+ (carcass wt.)	138.00	138.00	0.0%	107.00	29.0%
CUTTER COW CARCASS CUTOUT, 5-DAY MA, USDA	230.90	231.69	-0.3%	163.31	41.4%

Weekly CME Feeder Cattle Index

Source: CME. Analysis by Steiner Consulting



Source: Chicago Mercantile Exchange

					Change From Last Week			Change From Last Year
Current Week			Prior Week			Last Year		
22-Oct-21			15-Oct-21			23-Oct-20		
<u>US East Coast Australian/NZ Lean, CIF</u>								
95 CL Bull, E. Coast	295.0	296.0	290.0	295.0	1.0	222.0	225.0	71.0
90 CL Blended Cow	275.0	276.0	270.0	274.0	2.0		200.0	76.0
90 CL Shank	275.0	280.0		275.0	5.0	205.0	208.0	72.0
85 CL Fores	251.0	252.0	250.0	251.0	1.0		190.0	62.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	292.0	295.0	290.0	291.0	4.0	222.0	224.0	71.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
<u>US East Coast, Trimmings, CIF</u>								
85 CL Trimmings		251.0	249.0	250.0	1.0	189.0	190.0	61.0
80 CL Trimmings	235.0	238.0	230.0	231.0	7.0	180.0	183.0	55.0
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	360.0	370.0	355.0	360.0	10.0	290.0	295.0	75.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	310.0	315.0	310.0	311.0	4.0		UNQ	N/A
Steer Knuckles		290.0	285.0	290.0	0.0	250.0	260.0	30.0

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

					Change From Last Week			Change From Last Year
Current Week			Prior Week			Last Year		
22-Oct-21			15-Oct-21			23-Oct-20		
US East Coast Australian/NZ Lean, FOB US Port								
95 CL Bull, E. Coast	308.0	310.0	305.0	306.0	4.0	234.0	235.0	75.0
90 CL Blended Cow	288.0	289.0		286.0	3.0	213.0	214.0	75.0
90 CL Shank	285.0	290.0		285.0	5.0	220.0	225.0	65.0
85 CL Fores	261.0	263.0	258.0	260.0	3.0	198.0	200.0	63.0
85 CL Chucks		UNQ		UNQ	N/A		UNQ	N/A
95 CL Bull, W. Coast	307.0	308.0		304.0	4.0	233.0	234.0	74.0
Uruguay CFH 90CL, E. Coast		UNQ		UNQ	N/A		UNQ	N/A
US East Coast, Trimmings, FOB US Port								
85 CL Trimmings	260.0	261.0	257.0	258.0	3.0	197.0	198.0	63.0
80 CL Trimmings		245.0	240.0	245.0	0.0	188.0	190.0	55.0
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, FOB US Port								
Cap Off Steer Insides	375.0	380.0	370.0	375.0	5.0		305.0	75.0
Steer Insides 14/18		UNQ		UNQ	N/A		UNQ	N/A
Steer Flats	325.0	330.0	320.0	325.0	5.0	250.0	255.0	75.0
Steer Knuckles	300.0	305.0	295.0	300.0	5.0	265.0	270.0	35.0

TABLE 4 – US DOMESTIC BEEF AND CATTLE PRICES

	Current Week			Prior Week			Change From Last Week	Last Year			Change from Last Year
	22-Oct-21			15-Oct-21				23-Oct-20			
	Low	High	Wt.Avg	Low	High	Wt.Avg		Low	High	Wt.Avg	
<u>Domestic Cutouts</u>											
Choice Cutout	281.82			280.24			1.6	207.49			74.3
Select Cutout	263.11			260.62			2.5	191.40			71.7
<u>Domestic Lean Grinding Beef</u>											
90 CL Boneless	271.0	288.0	277.2	274.0	284.8	276.0	1.2	190.0	205.0	195.3	81.8
85 CL Beef Trimmings	247.1	270.0	255.6	243.0	269.1	252.9	2.7	155.0	181.0	164.2	91.3
50 CL Beef Trim	82.0	120.0	100.6	91.0	116.0	99.3	1.3	26.0	56.0	43.6	57.0
<u>Domestic Pork Trim</u>											
42 CL Pork Trim	52.1	87.5	69.5	50.4	90.3	69.9	-0.4	37.3	68.5	43.1	26.4
72 CL Pork Trim	71.0	111.8	78.6	60.4	113.8	77.7	0.9	81.0	116.8	86.0	-7.5
<u>Point of Lean Values</u>											
90 CL Domestic	308.0			306.7			1.3	217.0			90.9
50 CL Beef Trimming	201.2			198.6			2.5	87.2			114.0
42 CL Pork Trim	165.5			166.5			-1.0	102.5			62.9
72 CL Pork Trim	109.1			107.9			1.2	119.5			-10.3
<u>National Direct Fed Steer</u> <u>(5-day accum. wt. avg. price)</u>	124.40			123.76			0.6	105.44			19.0

TABLE 5 – FUTURES AND SLAUGHTER INFORMATION

<i>Futures Contracts</i>	<i>Current Week</i>	<i>Prior Week</i>	<i>Change From Last Week</i>	<i>Last Year</i>	<i>Change From Last Year</i>
	22-Oct-21	15-Oct-21		23-Oct-20	
<u>Live Cattle Futures</u>					
October '21	124.100	125.975	↓ -1.87	103.350	↑ 20.75
December '21	128.325	130.975	↓ -2.65	103.575	↑ 24.75
February '22	133.500	135.350	↓ -1.85	106.625	↑ 26.88
April '22	136.550	138.375	↓ -1.82	109.275	↑ 27.28
<u>Feeder Cattle Futures</u>					
October '21	155.425	157.575	↓ -2.15	133.525	↑ 21.90
November '21	156.900	161.425	↓ -4.53	129.650	↑ 27.25
January '22	157.325	161.525	↓ -4.20	125.550	↑ 31.78
March '22	158.300	162.325	↓ -4.02	125.525	↑ 32.78
<u>Corn Futures</u>					
December '21	538.000	525.750	↑ 12.25	419.250	↑ 118.75
March '22	546.750	534.250	↑ 12.50	420.250	↑ 126.50
May '22	550.750	538.750	↑ 12.00	421.250	↑ 129.50
May '22	551.000	539.500	↑ 11.50	420.250	↑ 130.75
<u>Ch Wheat Futures</u>					
December '21	756	734	↑ 22.00	632 3/4	↑ 123.25
March '22	767 1/2	746 1/2	↑ 21.00	632 1/2	↑ 135.00
May '22	769 3/4	750 1/4	↑ 19.50	630 1/2	↑ 139.25
May '22	756 1/2	738 1/4	↑ 18.25	618	↑ 138.50

<i>Slaughter Information</i>	<i>7 Days Ending</i>	<i>7 Days Ending</i>	<i>Change From Last Week</i>	<i>7 Days Ending</i>	<i>Change From Last Year</i>
	22-Oct-21	15-Oct-21		23-Oct-20	
<u>Total Cattle Slaughter</u>	661,000	646,000	↑ 15,000	645,000	↑ 16,000
	9-Oct-21	2-Oct-21		10-Oct-20	
Total Cow Slaughter	131,662	130,260	↑ 1,402	123,000	↑ 8,662
Dairy Cow Slaughter	59,431	60,682	↓ -1,251	57,200	↑ 2,231
Beef Cow Slaughter	72,231	69,578	↑ 2,653	65,800	↑ 6,431

TABLE 7 - US BEEF IMPORTS

(Source: USDA/AMS)

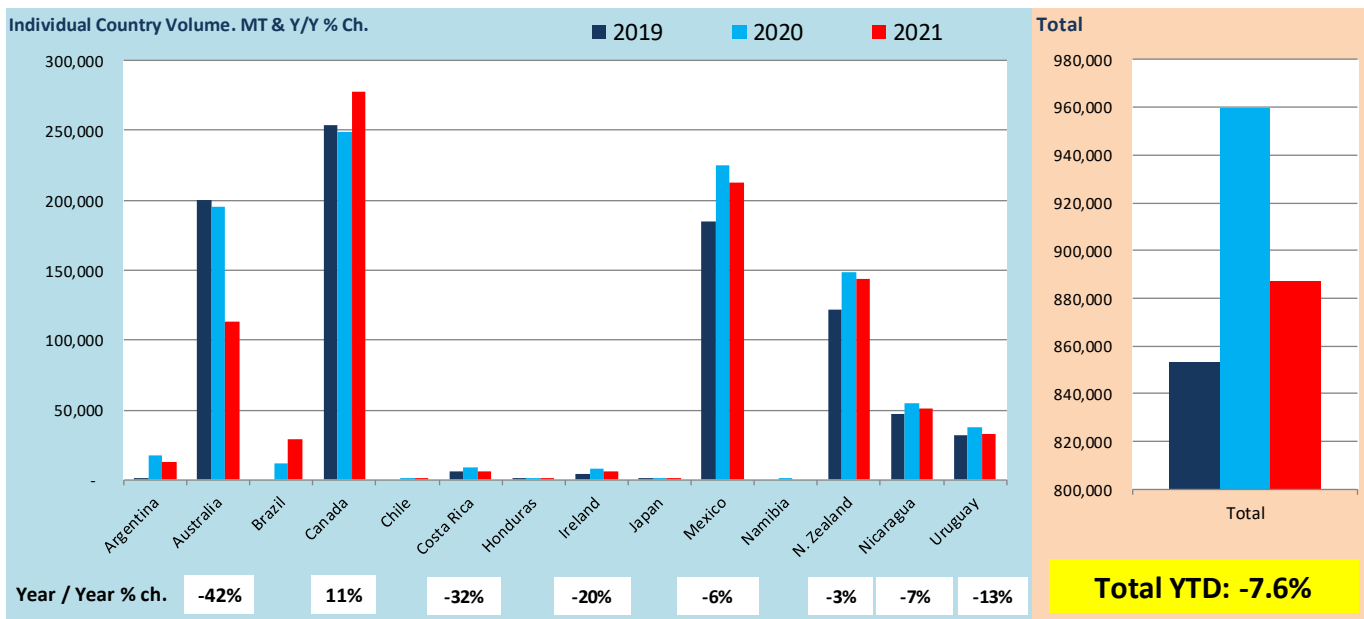
YTD Imported Fresh/Frz Beef Passed for Entry in the US

week 42	10/17/2020	10/16/2021	
Argentina	17,624	13,105	(4,519) -25.6%
Australia	195,528	112,924	(82,604) -42.2%
Brazil	11,729	29,516	17,787 151.6%
Canada	249,007	277,428	28,421 11.4%
Chile	48	217	169 352.1%
Costa Rica	9,250	6,309	(2,941) -31.8%
France	-	-	-
Honduras	1,572	22	(1,550) -98.6%
Ireland	7,664	6,120	(1,544) -20.1%
Japan	331	898	567 171.3%
Mexico	224,935	212,560	(12,375) -5.5%
Namibia	-	-	-
Netherlands	-	-	-
New Zealand	148,868	143,912	(4,956) -3.3%
Nicaragua	54,671	50,843	(3,828) -7.0%
Spain	-	-	-
Uruguay	37,940	32,925	(5,015) -13.2%
Total	959,700	886,778	(72,922) -7.6%

Source: AMS - USDA

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

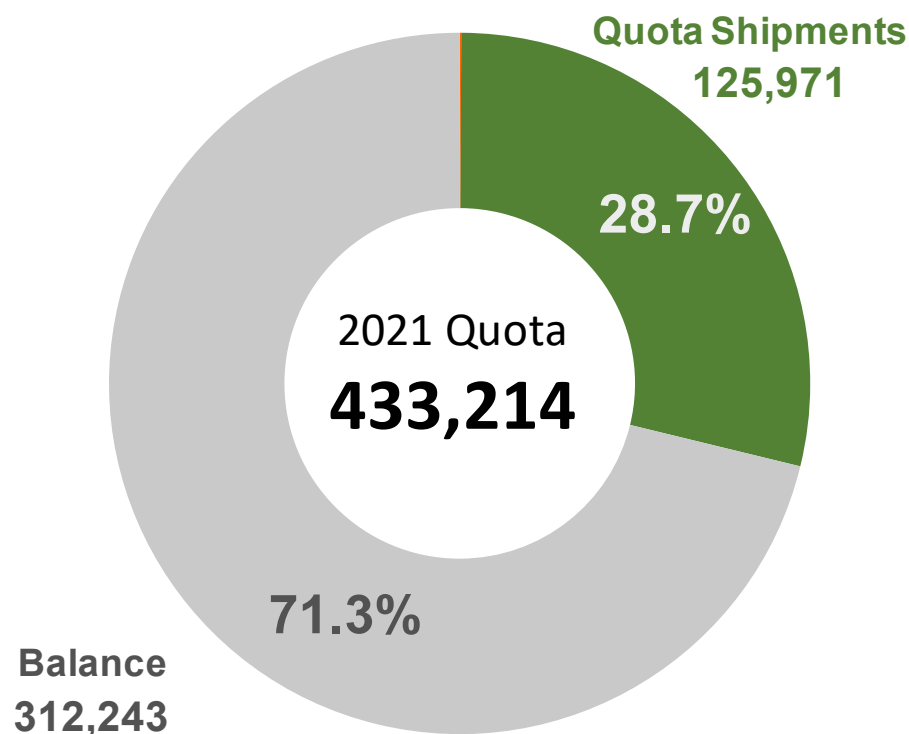
Imports as of October 16, 2021



Australian Beef Quota Position

21-Oct-21

Metric Ton. Australian Department of Agriculture Statistics



USA Quota Entries through Week Ending October 18. Metric Ton

Data source: US Customs. Analysis by Steiner Consulting

