



U.S. Meat Bulletin

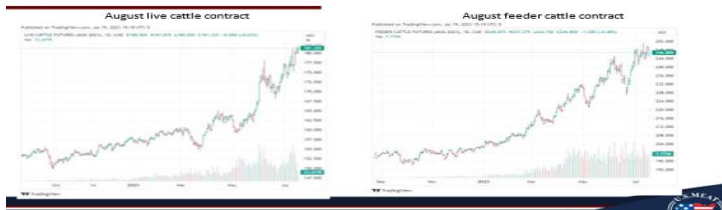
August 1, 2023

Volume XV | Issue 8.1

SUPPLY & DEMAND

U.S. beef wholesale prices fell again last week, with the loin primal showing the greatest week-on-week decline. Ribs also weakened along with all other primals, except rounds, where its low-cost relative to other cuts generated some buying interest. Analysts Urner Barry noted that grinders were more active in the market last week, as some believed consumers may trade down to ground beef during the last half of the year in response to high prices. Institutional buyers remain divided on how consumers will react during this 2nd half of the year to unprecedented beef retail prices. As we have previously noted, the average national retail price for all fresh beef cuts of U.S. \$7.58/lb. in June was record high, with some believing that tighter supplies ahead will push prices up further. Others believe that sky-high prices will result in beef demand destruction, leading to a large-scale consumer switch to more affordable pork & chicken. This is what has happened to bacon demand over the past year, with high prices mid-year 2022 leading to a cratering of sales and a nosedive in the belly primal value during the last half of 2022. If uncertainty characterizes the demand side, beef supply metrics are much more transparent. The 2 recent USDA cattle inventory reports offered more evidence of constricting supplies, with new opinions emerging that the decline in retained heifer numbers – at least up until July 1 – shows that ranchers through the 1st half of the year continued to send potential breeding animals into feedlots (see MOVING AHEAD next column). Calf & feeder cattle prices have continued to climb however, and many analysts believe a bottom in the cattle cycle is imminent.

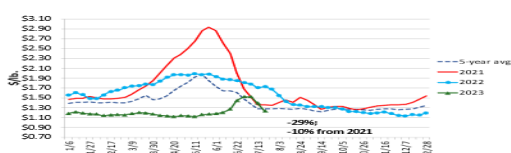
Live Fed Cattle & Feeder Cattle CME Futures Contract Values, August 2023 contract



Beef Choice Beef Cutout Value: 31/7/2023 - US\$301.78/cwt. (-1% from 24/7/2023)

Hot weather continued to discourage grilling activity, but the pork cutout value eked out a small week-on-week gain through last Friday. Wholesale spot belly prices climbed by double digits as supermarkets aggressively discounted bacon, and USDA's new cold storage report showed a sizeable drop in frozen belly stocks from May to June. Buying interest in bone-in hams by **Mexico** was tepid last week, while sparerib values continued to soften. Rib items jumped during June but have been retracing their gains downward as high heat has gripped a large swath of the U.S. (see GRAPH below). The pork cutout closed last week roughly **40%** higher than just 2 months ago, with analysts noting that **70%** of the gain can be explained by the sharp increase in the belly primal. Despite the modest easing of wholesale pork prices last week, activity in lean hog futures was bullish, with a decline in June frozen pork inventories adding to the positive sentiment. Corn prices also declined last week after surging the week before on international grain pricing risk. Looking out a few months, the market is expecting a seasonal correction in hog prices as slaughter levels ramp up, and average hog weights increase. Last week's harvest of 2.39 million head was about 75,000 head larger than the previous week, and the ramp up in slaughter going into the fall in addition to the predicted weight gains should yield a **10%** increase in weekly pork output by Q4 as compared to mid-summer activity. The August lean hog futures contract last Friday closed at U.S. \$1.06/lb. while the October contract is trading in the U.S. \$0.85/lb. range. On the international front, **China's** hog prices have staged a small rally in the last 10 days, but large total red meat supplies continue to hang over the market & pressure prices (see TRADE next column.)

U.S. Pork Rib Primal Value



Source: USDA/AMS

Hog Carcass Cutout Value: 31/7/2023 - US\$117.21/cwt. (same as 24/7/2023)

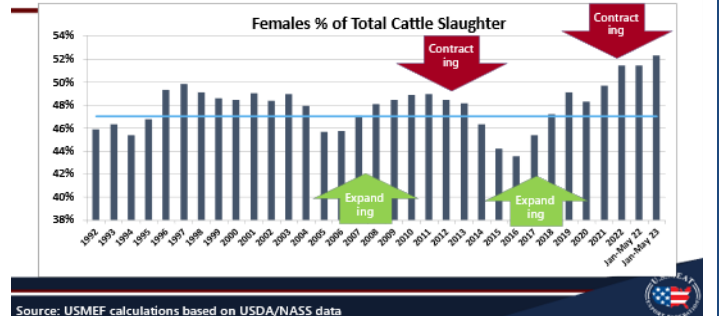
ACTIVITIES:

- Restaurant and Bar, Hong Kong: September 5-7, 2023
- FHC Shanghai Global Food Trade Show: Nov 8-10, 2023

MOVING AHEAD

Analysts continue to digest USDA's mid-year cattle inventory report published July 21. We mentioned last week that one of the most watched data points was the change in beef replacement heifers. When cattle prices are high, producers begin to rebuild their herds by retaining "high value" heifers or by purchasing replacements. The logic is simple, although many factors can influence when a cow-calf operator decides that the right time to expand his/her herd has arrived. Moreover, managing heifers that will be bred requires more intensive labor and different nutritional regimes that allow the animals to develop carefully to where they can be bred at 14-15 months of age. Some market observers expected USDA's midyear report to show that the number of beef replacement heifers would be stable or be slightly down YOY. The report showed that as of July 1, the inventory of beef replacement heifers totaled 4.05 million head. This was lower than the nadir of the previous cattle cycle of 2011 & 2012, and the lowest in 50 years of July 1 data. In short, the number suggests that as of mid-year, there was no widespread move to retain heifers. Additional data from the monthly cattle-on-feed report showed the inventory of heifers in feedlots on July 1 was flat with a year earlier, suggesting that during the 1st half of the year, the general trend was to feed heifers for slaughter rather than retain them for breeding. Data shows heifers - mid-year - accounted for nearly 40% of U.S. feedlot inventories, the highest ratio in 22 years. Moving ahead, feeder cattle prices have moved upward since USDA's report (see GRAPH previous column), which will incentivize operators to expand their herds. But uncertainty remains; last week, fed cattle prices and feeder cattle spot values declined, as the geo-politically driven volatility in corn markets weighed on feedlot break-evens. Current hot weather is adding some negativity to markets, although the U.S. drought picture, on a nationwide basis, looks better than it did 3 months ago, when dryness in main U.S. pasture areas was pushing potential breeding heifers into feedlots.

The larger share of females in the slaughter mix indicates that the U.S. has been in a liquidation phase since 2019, and the share increased to over 51% in 2022 because of intensified drought conditions



Source: USMEF calculations based on USDA/NASS data

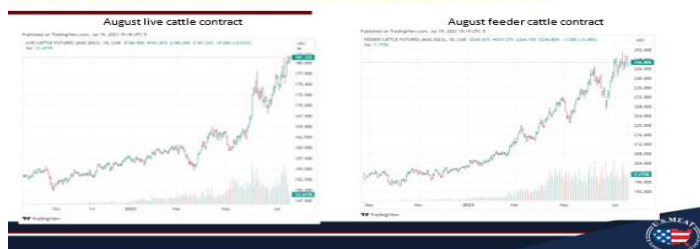
TRADE

China's pork market staged a mini-rally last week; national live hog values have risen **16%** since July 16 to yesterday, July 31. The rally is being viewed as a normal – but relatively sharp – market reaction as large producers slowly trim their herds after bleeding red ink during the 1st half of the year. Analysts also believe piglet disease issues in Jan & Feb are now playing out with a small hole forming in the supply pipeline of market hogs. Other observers noted that China was stepping up its reserve purchasing activity, and that overall demand will improve seasonally during H2, providing some cautious optimism to the market. China's central reserve purchasing announcements year-to-date of 40K tons are small relative to total pork output, but messaging by the government that it will purchase more if prices stay too low has helped put a floor on the market. Dalian lean hog futures also advanced during last week's rally. To be sure, hog prices are still noticeably lower than a year ago. According to China's Ministry of Agriculture, during the 3rd week of July, the average price of piglets nationwide was RMB 31/kg, **30%** below year-ago levels. The average price of pork was RMB 23/kg, a year-on-year decrease of **32%**. And despite a **3.2%** increase in H1 pork production, China's H1 pork imports totaled 1.49 million tons, up **14%** YOY. In the meantime, live cattle prices in China have been dropping since the beginning of the year. Analysts note that live slaughter-ready cattle prices in main northern production have dropped from about RMB 34/kg, to RMB 24/Kg, a **30%** drop. Imported beef stocks remain high, while China's beef imports during the 1st half of the year equaled 1.25 million tons, up **6.5%** from a year earlier. That was a record high level for the Jan-June period. Beef consumption has been slow over the past year, while a culling of dairy cows – due to weak dairy product consumption – drove up H1 China beef production by **4.5%** according to official statistics.

供应与需求

上周美国牛肉批发价格再次下跌，其中腰脊部初级分切部位的周环比跌幅最大。肋脊部也与所有其他初级分切部位一起走软，但后腿部除外，其相对于其他切块的低成本引起了一些购买兴趣。分析师 **Umer Barry** 指出，上周绞肉的销售在市场上更加活跃，因为一些人认为消费者可能会在今年下半年转而购买绞牛肉以应对高价格。对于今年下半年消费者将如何应对前所未有的牛肉零售价格，机构买家仍存在分歧。正如我们之前指出的，6月份所有新鲜牛肉的全国平均零售价为 7.58 美元/磅，创历史新高，一些人认为未来供应紧张将进一步推高价格。其他人则认为，天价将破坏牛肉需求，导致大量消费者转向更实惠的猪肉和鸡肉。这就是过去一年培根需求所发生的情况，2022 年年中的高价格导致销量大幅下滑，2022 年下半年腹部初级分切价格暴跌。如果需求方面存在不确定性，那么牛肉供应指标更加透明。美国农业部最近的两份牛只存栏报告提供了更多供应紧张的证据，新的观点表明，留存小母牛数量的下降（至少到 7 月 1 日为止）表明牧场主在今年上半年继续将潜在的母牛送入育肥场（请参阅产业动态专栏）。然而，犊牛和架子牛价格继续攀升，许多分析师认为牛只周期即将触底。

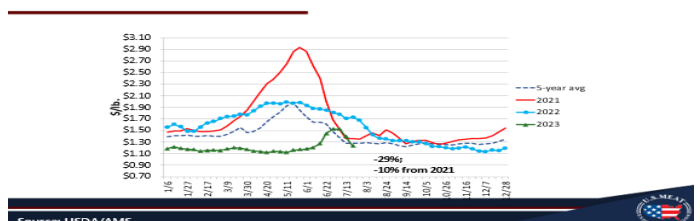
Live Fed Cattle & Feeder Cattle CME Futures Contract Values; August 2023 contract



美国农业部牛肉屠体价格指数（特选级）：2023 年 7 月 31 日 - \$301.78 美元/百磅（较 2023 年 7 月 24 日减少 1%）

炎热的天气继续抑制烧烤活动，但截至上周五，猪肉分切价格环比小幅上涨。由于超市大幅打折培根，批发现货腹部肉价格上涨了两位数，而且美国农业部新的冷库报告显示，5 月至 6 月冷冻腹部肉库存大幅下降。上周墨西哥对带骨后腿的购买兴趣不温不火，肋排价格继续走软。六月期间，肋排产品价格大幅上涨，但由于高温席卷了美国大片地区，其涨幅一直在回落（见下图）。上周猪肉分切收盘价比两个月前上涨了约 40%，分析师指出，70% 的涨幅可以归因于腹部初级分切肉价格的急剧上涨。尽管上周猪肉批发价格小幅回落，但瘦肉型生猪期货活动仍看涨，其中 6 月份冷冻猪肉库存下降增加了积极情绪。由于国际谷物定价风险，玉米价格在前一周飙升后，上周也出现下跌。展望未来几个月，随着屠宰量的增加和生猪平均体重的增加，市场预计生猪价格将出现季节性回调。上周的屠宰量为 239 万头，比前一周增加约 75,000 头，除了预计的体重增加之外，秋季屠宰量的增加将使第四季度的每周猪肉产量比夏季中期增加 10%。8 月瘦肉猪期货合约价格上周五收于 1.06 美元/磅，而 10 月合约的交易价格在 0.85 美元/磅的范围。国际方面，中国生猪价格在过去 10 天内出现小幅上涨，但大量红肉供应继续笼罩着市场并对价格构成压力（参见贸易新闻专栏）。

U.S. Pork Rib Primal Value



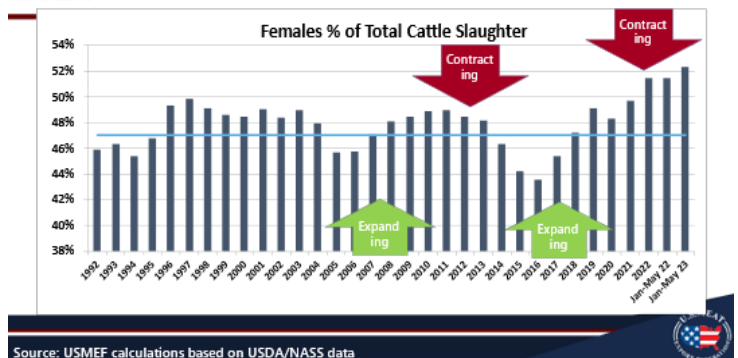
猪屠体分切价格：2023 年 7 月 31 日 - \$117.21 美元/百磅（较 2023 年 7 月 24 日维持不变）

美国肉类出口协会活动预告：
香港餐饮展 - 香港：2023 年 9 月 5-7 日
FHC 上海环球食品展：2023 年 11 月 8-10 日

产业动态

分析师们继续解读了美国农业部 7 月 21 日发布的年中牛存栏报告。上周我们提到最受关注的数字之一是替代小母牛的变化。当牛价高时，生产者开始通过保留“高价值”小母牛或购买替代品来重新组建牛群。逻辑很简单，许多因素会影响一个母牛-小牛经营者决定何时扩大他（她）的牛群的正确时机。此外，管理即将繁育的小母牛需要更集中的劳动和不同的营养计划，使牛只一步步的生长到 14-15 个月大可以繁育的年龄。一些市场观察家预计，美国农业部的年中报告将显示，替代小母牛数量会是稳定的，或同比略有下降。报告显示，截至 7 月 1 日，替代小母牛存栏量总计 405 万头。这低于 2011 年和 2012 年的上一个牛周期的最低点，也是 50 年来 7 月 1 日存栏量的最低水平。简而言之，这个数字表明，截止至年中，没有普遍保留小母牛的举动。来自育肥牛月存栏报告的更多数据显示，7 月 1 日育肥场的小母牛存栏量与去年同期持平，这表明在今年上半年，总体趋势是育肥小母牛用于屠宰，而不是保留它们用于繁育。数据显示，年中，小母牛数量占美国育肥场存栏的近 40%，这是 22 年来的最高比例。展望未来，自美国农业部的报告发布以来，架子牛的价格已经有所上涨（见前一栏图表），这将激励经营者扩大他们的畜群。但不确定性依然存在；上周，由于地缘政治因素导致的玉米市场波动影响了育肥场的盈亏平衡，肉牛价格和架子牛现货价格双双下跌。目前炎热的天气给市场增加了一些负面性，尽管美国全国范围内的干旱情况看起来比 3 个月前要好，美国主要牧场的干旱迫使潜在的小母牛被送入育肥场。

The larger share of females in the slaughter mix indicates that the U.S. has been in a liquidation phase since 2019, and the share increased to over 51% in 2022 because of intensified drought conditions



贸易新闻

中国猪肉市场上周出现小幅上涨，从 7 月 16 日到昨天 7 月 31 日，全国生猪价格上涨了 16%。这轮上涨被视为一种正常但相对剧烈的市场反应，因为大型生产商在今年上半年出现财政亏损后，正在慢慢削减他们的畜群。分析师们还认为，1 月和 2 月的仔猪疾病问题在出栏生猪的供应中正在形成一个缺口。其他观察者们指出，中国正在加强中央储备猪肉收储工作，下半年总体需求将出现季节性改善，这为市场提供了一些谨慎的乐观情绪。今年迄今为止，中央储备猪肉收储数量为 4 万吨，相对于猪肉总产量，这一数字较小，但有关将进一步收储猪肉的消息也有助于提升市场情绪。大连瘦肉型生猪期货价格在上周的上涨中也有所提高。可以肯定的是，生猪价格仍明显低于一年前。根据中国农业部，7 月的第 3 周期间，全国仔猪平均价格为 31 元/公斤，比一年前低 30%。猪肉均价为 23 元/公斤，同比下降 32%。尽管上半年猪肉产量增长 3.2%，但中国上半年猪肉进口总量为 149 万吨，同比增长 14%。与此同时，自今年年初以来，中国的活牛价格一直在下降。分析师们指出，北方主要产区的肉牛价格已从 34 元/公斤下降至 24 元/公斤，下降了 30%。进口牛肉库存保持高位，中国上半年的牛肉进口量达到 125 万吨，同比增长 6.5%。这是 1 月至 6 月期间的最高记录。据官方统计数据，去年牛肉消费放缓，由于乳制品消费疲软导致奶牛的去化，带动中国上半年的牛肉产量增长了 4.5%。