



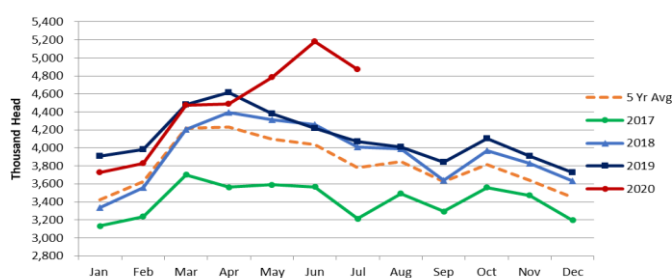
U.S. Meat Bulletin

July 28, 2020 Volume XII | Issue 7.4

SUPPLY & DEMAND

After falling 9 consecutive weeks, the beef cutout moved sideways through last week, closing last Friday at **-5%** of its value a year ago. Demand is lackluster as a resurging virus has resulted in fresh closures of restaurants and consumer uncertainty prevails over if, when and how the U.S. government will stimulate the economy and continue to protect the unemployed. There has been an uptick on domestic beef retail promotions as lower wholesale prices adjust downwards, but weak loin and rib primal values are testimony to the tepid state of the foodservice sector. On the supply side, analysts are noting that the worst of the CoVID-19 impacts on the cattle markets and processing plants are past, but the sharp disruption in harvest levels in April and May continues to weigh on the cattle supply pipeline, with live cattle prices remaining low, hundreds of thousands of cattle backed up in feedlots, and average cattle weights remaining high. To be sure, live cattle prices inched higher last week, as packing plant margins remained firmly in the black and futures values traded at a premium to current spot live prices. Last Friday's cattle on feed report yielded no surprises in terms of the number of cattle placed into feedlots during June (+2% from June 2019) and the total number of cattle on feed (13.6 million head, even with a year ago). But the average time cattle are spending in feedlots of nearly 190 days remains high, and the supply of front-end market-ready cattle is large (see graph below). To accelerate the cleaning up of the full pipeline of cattle, analysts are hopeful that weekly harvest levels can further increase; last week's total of 646,000 head was down **0.6%** from the previous week and still short of what is viewed as full capacity. This June, the total number of cattle harvested was **7%** above June 2019 levels, but when adjusted to actual working days, average daily slaughter was **-4%** below the 6/2019 rate.

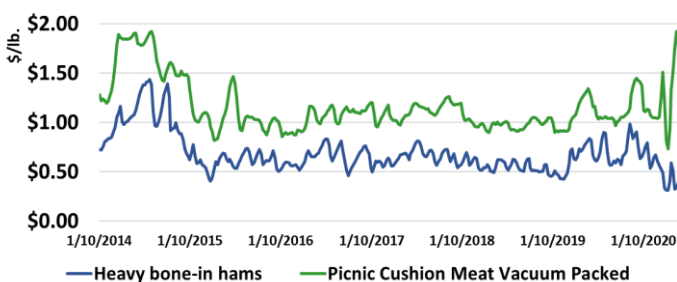
Estimated Inventory of Cattle on Feed Over 120 Days



Beef Choice Beef Cutout Value: 27/7/2020 - US\$202.55/cwt. (<+1% from 20/7/2020)

Last Friday, the pork cutout settled up **3%** from the previous week, its highest level since the 1st of June. That said, values remain **-15%** from a year ago. The ham primal's **11%** appreciation drove most of last week's value creation, similar to the dynamics of the previous week. Loin gained as well. Weekly slaughter totaled 2.589 million head, up **2.8%** from the previous week and up **9.7%** from the same week last year. With heavier slaughter hog weights, pork production is running ahead of year-ago levels. Just released June meat production statistics show national pork output increased **13%** from June 2019, a sign that the industry has mostly recovered from the CoVID impacts. Year-to-date U.S. pork production is up **1.4%** from last year with slaughter up **0.6%**. Export activity remains strong, although sales and shipments to #1 market **China** have not been at the weekly levels seen earlier in the year. Still, accumulated muscle cut exports to all destinations through the week of July 16 were up **56%** from last year's record setting pace and have now exceeded 1 million metric tons.

Ham & Picnic Prices



Hog Carcass Cutout Value: 27/7/2020 - US\$71.30/cwt. (+4% from 20/7/2020)

ACTIVITIES:

Restaurant & Bar, Hong Kong: postponed
SIAL, Shanghai: September 28-30, 2020

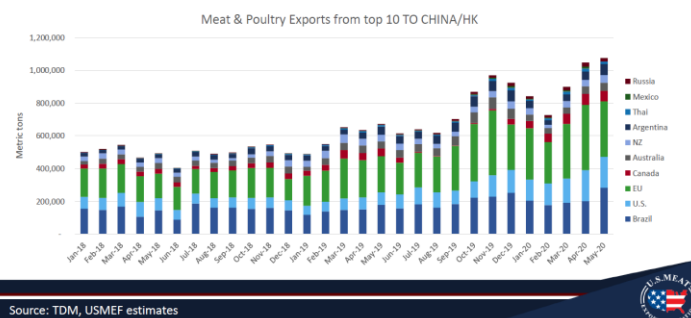
MOVING AHEAD

The U.S. cattle industry is holding its annual meeting this week and the topic of market transparency and the ability of current marketing arrangements to allow true price discovery of live cattle will be top of the agenda. The issue gains attention as USDA issued a report last week on the cattle market disruptions that took place following the August 2019 fire at one of the U.S.'s largest beef processing plants and the dislocations at plants that occurred this spring due to CoVID-19. In both cases, cattle prices dropped while wholesale boxed beef prices soared. USDA's investigation was undertaken to determine whether any entities may have violated USDA federal law under the federal Packers and Stockyard Act, which forbids any price manipulation, collusion, restrictions of competition, or other unfair practices by any market stakeholders. The report issued no conclusions as to whether foul play ensued during these market crises noting that those investigations fall under the purview of the Department of Justice. But USDA's descriptive report of how cattle & beef markets quickly dis-equilibrated during these 2 episodes highlights the ongoing issues the industry has with price discovery, ensuring vigorous competition, and the volatile relationship between live cattle and beef prices in the wholesale market. There is little vertical integration in the U.S. beef industry. Most meat packing companies do not own cattle but purchase them on the market using several types of transaction methods. Traditionally, meat plants negotiated the price of cattle for immediate or near immediate delivery with feedlots, a system known as negotiated sales. But that method has given way to more so-called formula sales whereby meat plants and feedlots use an exogenous price - or formula - to determine the value of cattle. The formula is normally tied to one or more values the USDA reports in its 300+ Livestock Mandatory Price Reporting (LMR) indices. While LMR was established to promote market transparency and price discovery, as more cattle are now sold under formula pricing arrangements, the number of negotiated cattle transactions which determine the formulas have dwindled, raising questions about whether USDA's pricing data reflects the true value of livestock. In some states and regions, almost all marketing of cattle to plants takes place through formula arrangements, a practice that has raised concerns about the efficacy of LMR. Only 10-15% of cattle nationwide are traded under negotiated arrangements. Moreover, cattle producers note that 80% of fed-cattle buying is being conducted by just 4 beef packers. USDA's report on the fire and CoVID-19 however found these market shocks resulted in predictable free market behavior by all entities: cattle prices dropped because the nation's harvest capacity contracted, and demand for beef surged, especially during CoVID, as retailers and consumers sought to stock up on dwindling beef supplies. USDA noted the systemic problems with thin negotiated cattle markets and added to a chorus of proposals already being promulgated by the livestock industry on how to improve transparency and price discovery. These include potential updates to LMR to reduce non-reporting, mandating minimum percentages of negotiated cash transaction, and creating a new report of slaughter intentions, which would provide producers an important indicator of packer demand for fed cattle.

TRADE

China's pork shortage and demand for protein as the economy recovers from CoVID-19 drove record meat & poultry (M&P) exports to the market again in May (see graph below). In the 1st 5 months of the year, the total global M&P trade was **+9%** to 13+ million tons, with May's trade the 4th largest ever, and despite an acceleration of the pandemic across all major producing countries. M&P trade by the rest of the world outside of China declined **-6%** during Jan-May, resulting in China accounting for a historical high of 35% of total global M&P trade during this period. China's growing significance in global markets come as world meat & poultry production is expected to contract **2%** this year, driven mainly by the pork shortfall in China. Excluding China, CY 2020 M&P production will likely be flat, with beef production declining by **2%**, pork growing by **2%** and poultry output remaining stable.

China remains in the driver's seat
Jan-May 4.59 mmt, +53% and set new records in May at 1.075 mmt, +60%



Source: TDM, USMEF estimates





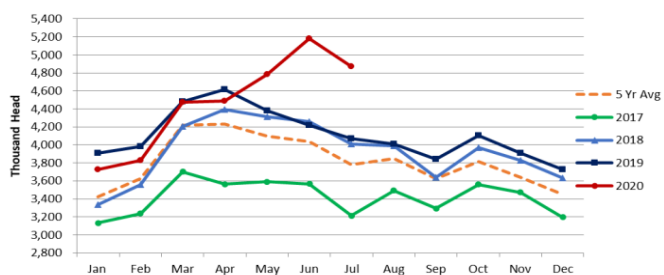
美国肉品新知

2020年7月28日第十二卷7.4期

供应与需求

在连续九周下跌后，牛肉分切价格较上周偏移，上周五收于较去年价格-5%。需求被描述为疲软，因为卷土重来的病毒导致餐厅再次关闭与消费者的不确定性，且目前仍不确定美国政府是否会刺激经济并保护失业者，若有的话何时与如何施行也仍未知。随着偏低的批发价格更向下调整，美国国内的牛肉零售促销活动有所增加，但腰脊和肋脊的大分切价格疲软证明了食品业不景气的状态。供应方面，分析师指出，CoVID-19对牛肉市场和加工厂影响最严重的时期已经过去，但4月和5月的收成水平急遽下降持续给活牛供应带来压力，价格保持低位，数十万头牛只饲养于育肥场，平均牛重保持高位。可以肯定的是，由于屠宰场利润始终保持稳定，且期货交易价高于目前现货活价，活牛价格上周小幅上涨。上周五的牛只在养头数报告对于6月育肥场中的牛只数量(较2019年6月增加2%)与育肥牛只总数(1360万头，与去年持平)的描述并不让人惊讶。但是，牛只在育肥场平均花费时间近190天，仍然很高，且前端可供屠宰牛只供应量很大(见下图)。为了加速清理牛群，分析师认为每周收成量的进一步提升是有希望的，上周的总头数为646,000头，比前一周下降0.6%且仍未达到满载状态。今年6月，收成的牲畜总量比2019年6月的水平增加7%，但根据实际工作日调整后，平均每日屠宰量比2019年6月的水平降低4%。

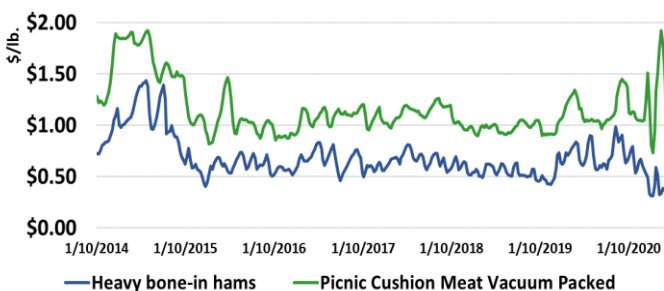
Estimated Inventory of Cattle on Feed Over 120 Days



美国农业部牛肉屠体价格指数(特选级): 2020年7月27日 - \$202.55 美元/百磅(较2020年7月20日增加小于1%)

上周五猪肉分切价格较前一周增加3%，是自6月1日以来的最高水平。尽管如此，价格较一年前下降15%。与更前一周的状况相似，上周后腿肉大分切价格上涨11%，推动绝大部分的价格创造。此外，里肌价格也上涨。每周屠宰量为258.9万头，较前一周增加2.8%，比去年同期增加9.7%。由于屠宰猪只的体重较重，猪肉产量比去年同期高。刚发布的6月肉类生产统计数据显示，全国猪肉产量比2019年6月增加13%，显示这个行业已大致从CoVID-19的影响中恢复。年初至今，美国猪肉产量较去年成长1.4%，屠宰量成长0.6%。出口活动依然强劲，尽管往第一大市场中国的销售量和出货量未达到今年初的每周水平，但截至7月16日当周，向目的地出口的猪肉分切总量仍较去年创纪录的水平增加56%，现已超过100万吨。

Ham & Picnic Prices



猪屠体分切价格: 2020年7月27日 - \$71.30 美元/百磅(较2020年7月20日增加4%)

产业动态

美国养牛业将于本周举行年度会议，聚焦于讨论市场透明度和目前的促销安排，以促成真正的活牛价格发现。美国农业部上周发布一份报告，提及美国最大的牛肉加工厂之一于2019年8月的大火与今年春季因CoVID-19造成的屠宰场混乱，皆导致牛肉市场纷乱，并引起人们的关注。在这两种情况下，活牛的价格皆下降，而箱装牛肉的批发价格飙升。美国农业部进行了调查，以确定是否有任何实体违反《联邦屠宰加工厂与牲畜饲养场法案》下的美国农业部联邦法律，该法案禁止任何市场利益相关者操纵价格、串通、限制竞争、或其他不公平的作法。报告没有得出市场危机期间是否曾出现违规行为的结论，并指出这些调查属于美国司法部的职权范围。但美国农业部在这两个事件期间关于牛只与牛肉市场如何快速失衡的叙述性报告，凸显这个行业在价格发现、确保激烈竞争、市场上活牛和牛肉价格之间的波动关系存在持续性的问题。美国牛肉行业几乎没有垂直整合，多数肉类屠宰场并不拥有牛只，而是使用几种交易方式在市场上购买牛只。传统上，屠宰场与育肥场协商立即或接近立即交付的牛只价格，这种系统称为协商销售。但是，这种方法更多时候已被所谓的公式销售取代，透过公式销售，屠宰场与育肥场使用外源的价格或公式来决定牛只的价格。公式通常与美国农业部在家畜强制性价格报告(LMR)内300+个索引中的一个或多个数值相关。建立LMR的目的是促成市场透明度和价格发现，但随着现今更多的牛只是按照公式价格安排出售，决定公式的协商销售售出牛只减少，引发人们对美国农业部价格数据是否反映牲畜真实价格的疑问。在某些州和地区，几乎所有到屠宰场的牛只都是透过公式销售，这种做法引起人们对LMR效能的关注。按估计，全美国有10-15%的牛只透过协商进行交易。此外，养牛业者注意到，80%的育肥牛只由四大牛肉屠宰商收购。美国农业部关于大火和CoVID-19的报告指出，这些市场冲击导致所有实体都可预测到的自由市场行为：由于收成下降，牛只价格下跌，但牛肉需求激增，因为疫情期间零售商和消费者寻求库存，然而供应减少。但是，美国农业部已经注意到协商牛只销售薄弱导致的系统性问题，并增加畜牧业关于如何改善透明度和价格发现的提案。措施包含可能对LMR进行更新，以减少无报告的情形，规定协商现金交易的最低百分比，并建立一份新的屠宰意向报告，为生产者提供重要的屠宰商育肥牛只需求指标。

贸易新闻

随着经济从CoVID-19的影响复苏，中国的猪肉短缺和对蛋白质的需求推动5月份肉类和家禽(M&P)对中国出现创纪录的出口量(见下图)。尽管所有主要生产国的疫情都仍严峻，今年1-5月，全球M&P贸易总量增长9%，达到超过1300万吨，其中5月份的贸易量是有史以来第四大。1月至5月，中国以外区域的M&P贸易量下降6%，导致中国在此期间占全球M&P贸易总额35%的历史高位。中国在全球市场的重要性日益提高，原因是由于中国猪肉短缺，今年全球肉类和家禽产量预计将萎缩2%。除去中国，2020财年度M&P产量可能持平，牛肉产量下降2%，猪肉产量增长2%，禽肉产量维持稳定。

China remains in the driver's seat Jan-May 4.59 mmt, +53% and set new records in May at 1.075 mmt, +60%



Source: TDM, USMEF estimates

美国肉类出口协会活动预告:

香港餐饮展: 延期

中国国际食品及饮料展 — 上海: 2020年9月28-30日