

## In The Cattle Markets

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### International Beef Trade Dynamics

The latest monthly trade data were released by the USDA Economic Research Service last week. The September data continued to show adjustments from the beef production and beef price changes earlier in the year as well as the impacts of global beef demand. According to the ERS data, beef exports totaled approximately 239 million pounds during September. This was down 5.6 percent from September 2019. Through September, beef exports in 2020 were about 6 percent lower than during the first 9 months of 2019.

September showed stronger exports to South Korea, Canada, Taiwan, and Hong Kong. Exports to Japan, the largest volume destination for U.S. beef exports, were down slightly according to the ERS data. Beef exports to Mexico continued to lag behind the 2019 pace. During September, beef exports to Mexico were about 38 percent lower than in September 2019 and were 40 percent lower for the first 9 months of 2020 compared to the first 9 months of 2019. Exports to Mexico were 14 percent of total January-September 2019 beef exports in 2019; in 2020, that share has dropped to about 9 percent.

Following up on a topic brought up by David Anderson's article in September, cattle exports to Mexico continue to be stronger relative to past years. Weekly slaughter cattle exports to Mexico averaged 870 head during September and October including 1,432 head during the 4th week of October. These are small numbers relative to overall slaughter, but interesting given that slaughter cattle exports to Mexico have been very limited since 2003. More slaughter cattle were exported to Mexico during July-October 2020 (11,226 head) than during all of 2004-2019 combined (9,184 head).

Beef exports to Mainland China continued to increase in September. During September, shipments to China accounted for 5.3 percent of total exports. For comparison, beef exports to China during 2019 were around one percent of total exports. The 12.6 million pounds of beef exported to China during September is the highest monthly level on record and is another sign of growth for that destination.

There were also adjustments in beef imports. Beef imports during September were up 26 percent from a year ago and totaled approximately 300 million pounds. This followed large import totals in July and August. Beef imports during the third quarter of 2020 were about one billion pounds which is 33 percent higher than Q3 2019. The top 4 import sources (Canada, Australia, Mexico, and New Zealand) have combined for about 80 percent of total beef imports in 2020 through September. The big jump in beef imports during the summer was most likely a reaction to the record high retail beef prices during the late spring due to

pandemic disruptions. Retail beef prices have moderated in recent months which will impact imports in future reports.

Taken as a whole, beef trade in 2020 shows many of the challenges experienced in 2020. For the U.S., the production disruptions in the spring and the resulting price peaks had significant impacts on beef exports and imports through the summer. Globally, though some recovery has occurred, demand for beef in international destinations continues to be influenced by pandemic responses and safety measures. Beef demand at seated restaurants continues to be impacted, and demand in areas reliant on tourism still faces obstacles. The pace of recovery in international destinations will be key for beef exports moving forward and for the value that beef exports add to cattle production.

## The Markets

Futures markets rallied on Monday amid broader market strength on the heels of Pfizer Inc.'s COVID-19 vaccine progress announcement. There was significant movement in auction markets last week as the passing of the winter storm contributed to higher prices in the Southern Plains. As shown in the table below, Oklahoma auction prices were up 15 percent for 500-600 pound steers last week from the low levels seen during the previous few weeks. The artic storm brought much-needed moisture to the area that could improve winter grazing prospects and stocker demand.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 11/6/20</b>	<b>Week of 10/30/20</b>	<b>Week of 11/8/19</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$106.33	\$104.24	\$114.60
	all grades, dressed weight, \$/cwt	\$165.35	\$161.19	\$181.04
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$211.03	\$207.15	\$237.08
	Choice-Select Spread, \$/cwt	\$14.51	\$17.31	\$25.48
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$145.96	\$136.16	\$149.88
	Nebraska 7-market, \$/cwt	\$146.39	\$144.92	\$150.07
	Oklahoma 8-market, \$/cwt	\$134.21	\$122.70	\$147.44
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$158.00	\$144.00	\$159.86
	Nebraska 7-market, \$/cwt	\$161.46	\$157.88	\$161.76
	Oklahoma 8-market, \$/cwt	\$150.54	\$131.26	\$153.24
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.98	\$3.86	\$3.56
	DDGS, Nebraska, \$/ton	\$180.00	\$181.00	\$149.50