Beef Imports Down 16%

U.S. beef imports are down sharply through the first two months of the year, boosting prices for specific items (think lean grinding beef) that are heavily dependent on the imported supply. The latest data from U.S. Customs shows that through Feb. 28, a total of 67,900 metric tons of imported beef had been cleared for entry into the U.S. market. This represents a 15.9% decline from the comparable week the previous year, and it is 27.9% smaller than in 2009. This supply only references fresh/frozen beef and does not account for cooked product from Argentina and Brazil.

A number of factors have negatively affected U.S. beef imports through the first two months of 2011.

Australian beef entries are down about 52% compared to the previous year, and they are even smaller when compared to 2008 and 2009 levels. Flooding in Queensland, the most important cattle region in Australia, slowed slaughter and beef shipments in January. However, Australian beef exports to the United States have been declining for months due to strong demand in other markets and the impact of a strong Australian dollar, which is currently trading at a premium to the U.S. currency.

There has been speculation that the shortage of Australian beef was driven in large part by the flooding and once slaughter plants resumed normal operations, beef exports to the United States would bounce back. So far that has not been the case. While we have seen a bit more product shipped to the United States, volumes remain very light.

We estimate Australian beef exports to the United States in February will be down about 20% from a year ago and down almost 50% from the five-year average. Total Australian beef exports in February, on the other hand, are expected to increase 11.7% from the previous year.

There is little question that the U.S. market has become less competitive in recent years, partly due to the effect of U.S. dollar depreciation, but also because of the increasing burden of new *E. coli* testing procedures.

Entries of Canadian beef through the first two months of the year were reported to be down 20.7% compared to the same period a year ago. Strong beef demand in Canada, a weak U.S. dollar and smaller feedlot supplies have contributed to limit Canadian beef shipments to the United States.

The Canadian cattle-on-feed inventory Feb. 1 was 2.5% smaller than a year ago. Grain-fed beef production in Canada through the first seven weeks of the year is running 2% below year-ago levels and 2.6% lower than the five year average. And, with beef imports in Canada almost nonexistent, more of the domestic production is staying at home rather than coming to the United States.

New Zealand beef exports are up modestly as cow slaughter levels are sharply higher than a year ago while imports from smaller markets, mostly from Central America and Mexico, are significantly higher than previous years.

In all, the decline in imported beef supplies, especially the shortage of Australian beef, has contributed to a sharp rise in lean grinding beef prices and has been broadly supportive of the rally in cattle values.

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