Beef/Cattle

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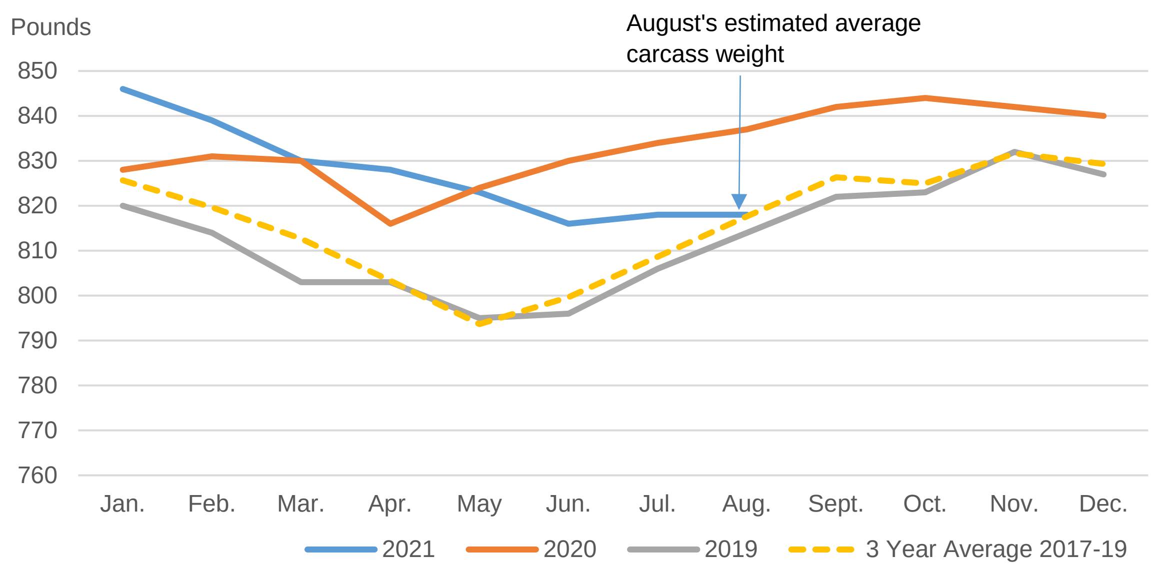
Beef Production Revised Lower on Lighter Dressed Weights and Lower Steer and Heifer Slaughter

Slaughter remains year-over-year higher. Preliminary estimated Federally Inspected cattle slaughter for August was up 3.1 percent from a year ago. Notably, the weekly estimated FI cow slaughter through August 28 was up 13 percent year over year.

The increase in August slaughter in part reflects 1 additional slaughter day in August 2021 relative to last year. However, the report also shows that average cattle dressed weights remain below last year, largely due to the fact that cattle had backed up because of Covid and were heavier because they had been on feed longer. For the week ending August 21, average cattle carcass weights were 12 pounds below the average weight compared to the same week last year. Estimated cow, steer, and heifer average carcass weights were 6, 7, and 13 pounds, respectively, below levels a year ago. In addition, the proportion of cows in the slaughter mix has helped push the average carcass weight lower. The number of cows anticipated to be slaughtered during the second half of the year is higher than in the first half, given the persistence of the drought and weakening returns in the dairy sector. As the chart below shows, the August estimated average carcass weight was less than a year ago. The average carcass weight for August 2019 was even lower than August 2021.

The forecast for 2021 beef production in the second half of this year was reduced slightly as lighter average carcass weights and lower steer and heifer slaughter are expected to more than offset the second-half increase in cow slaughter. As a result, this month’s forecast for 2021 beef production is 27.742 billion pounds, down 130 million pounds from last month. The forecast for 2022 beef production was lowered 90 million pounds to 26.875 billion pounds from a month ago, based on the same reasons the 2021 annual forecast was revised down.

August's average dress weights, 2018-2021



Note:The August average dress weight is an estimate.
Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service.

Beef Prices Expected To Be Up in Second-Half 2021 and into 2022

Now that Labor Day and grilling season are officially behind us, the seasonal trend is for beef prices to fall in September and October. According to the *National Weekly Boxed Beef Cutout and Boxed Beef Cuts* report, Choice and Select boxed beef prices for the week ending September 10, 2021, were down more than $7 and nearly $11 from the prior week at $332.46 and $297.47 per hundredweight (cwt), respectively. The August average price for 5-Area fed steers was $124 per cwt, almost $20 more than a year earlier, but the fed steer price for the week ending on August 30 was $125.74, while the fed steer price for the week ending on September 13 was $124.79 per cwt. Relative price strength is likely to persist as demand for beef remains strong. The fourth quarter forecast for the fed steer price was increased by $4 to $131 per cwt from a month ago based on current price strength and firm demand. The 2021 annual forecast for fed steer price was raised $1 to $122.20 per cwt, while the 2022 annual forecast was revised up $2 from last month to $128 per cwt on tighter supplies.

For August, Oklahoma City National Stockyards feeder steers weighing 750-800 pounds averaged $156.48 per cwt, $14.94 above a year ago. The third-quarter forecast was raised by $1.00 to $154.00 per cwt while the fourth-quarter forecast was increased $2.00 to $155.00 per cwt. These changes raised the 2021 annual forecast price for feeder steer to $145.90 per cwt, up $0.80 from last month. The annual forecast for 2022 was also raised by $3 to $155 per cwt, from a month ago as lower forecast feed costs will likely support feedlot demand.

Beef Imports Remain Strong in July; Import Forecasts Raised

Beef imports in July totaled 307 million pounds, down from last year by 19 percent or 70 million pounds. July 2020 imports were the second-largest on record, making July 2021 imports look small by contrast. However, compared to 2019, July imports were up 15 percent, or 40 million pounds. Compared to a 5-year average from 2016 to 2020, July imports were up 2 percent. Imports from Canada, Brazil, and Nicaragua were all up notably year over year. Canada's July shipment was the highest since September 2005, accounting for just over 28 percent of total July beef imports.

Imports were down year over year from Australia, Mexico, New Zealand, Uruguay, and Argentina. Shipments from Australia, Mexico and New Zealand were especially strong in July 2020, so a year-over-year comparison may be misleading. Compared to July 2019, imports from Mexico and New Zealand were up. U.S. imports from Australia remain low as herd rebuilding continues in the country.

The forecast for 2021 third-quarter beef imports was raised 25 million pounds to 855 million pounds reflecting recent trade data. The annual forecast for 2021 beef imports is raised to 3.142 billion pounds. The annual forecast for 2022 beef imports remains unchanged from last month at 3.150 billion pounds.

U.S. year-over-year beef imports from major suppliers

	July 2020	July 2021	Difference in volume	Year-over-year change	Import share June 2020 Year-to-date	Import share June 2021 Year-to-date
		- Million pounds-		--- Percent –	--- Percent --	--- Percent --
Canada	80.4	87.4	7.0	8. 7	23.2	28.2
Australia	79.5	32.7	-46.8	-58.9	20.1	11.7
Mexico	64.4	60.4	-4.0	-6.2	21.1	20.3
New Zealand	79.0	52.1	-26.9	-34.1	18.1	17.6
Brazil	28.2	32.2	4.0	14.2	4.8	9.1
Nicaragua	9.8	19.9	10.1	103.1	5.6	5.7
Uruguay	20.0	13.0	-7.0	-35.0	4.1	4.4
Argentina	8.2	4.9	-3.3	-40.2	1.1	1.4
ROW	7.3	4.0	-3.3	-45.2	2.0	1.6
Total Imports	376.8	306.7	-70.1	-18.6	100.0	100.0

ROW = Rest of World
Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

U.S. Beef Exports Continue To Rise in July

In July, U.S. beef exports totaled 297 million pounds, exceeding last July's exports by 17.9 percent or 45 million pounds. The rise in part reflects large shipments of U.S. beef to China, the largest U.S. beef exports to China, ever recorded, totaling almost 45 million pounds more than the previous year. Total beef exports for the January–July period in 2021 were up 21 percent over the first 7 months of 2020, with 14.4 percent being shipped to China.

Of the seven major destinations for U.S. beef, Mexico—currently the fourth-largest U.S. beef importer—was the other country that contributed to the increase in beef exports in July, accounting for 8.5 percent of July's total exports and 9.3 percent of U.S. exports year to date. Indonesia, a smaller destination, made a sizeable contribution to the increase in beef exports in July. U.S. beef exports to Indonesia totaled 7.1 million pounds, by far the largest volume the United States has ever exported to that country.

Reductions in beef exports were reported for five of the U.S. top-seven destinations. Hong Kong had the largest year-over-year decrease, a 9-million pound decline. The remaining reductions in beef shipments to major destinations were relatively small, less than 3.2 million pounds, year over year. However, the year-over-year reductions in beef exports in July were not enough to offset the year-over-year escalation in beef exports that month.

The forecasts for 2021 third and fourth quarters were raised 20 million and 10 million pounds to 900 and 845 million pounds, respectively, on anticipated strong beef demand from key trading partners. The annual forecast for 2021 was revised up 30 million pounds to 3.414 billion pounds. The forecast for 2022 was unchanged from last month at 3.270 billion pounds.

U.S. year-over-year beef exports to major destinations

	July 2020	July 2021	Difference in volume	Year-over-year change	Export share July 2020 Year to date	Export share July 2021 Year to date
	- Million pounds-			--- Percent -	--- Percent --	--- Percent --
Japan	76.2	73.0	-3.2	-4.2	31.1	24.6
South Korea	66.6	65.9	-0.7	-1.1	23.3	23.8
China	6.2	51.0	44.8	722.6	1.6	14.4
Mexico	19.0	25.2	6.2	32.6	9.6	9.3
Canada	25.7	22.9	-2.8	-10.9	10.6	8.1
Taiwan	18.5	18.1	-0.4	-2.3	6.7	5.6
Hong Kong	17.6	8.6	-9.0	-51.1	6.7	3.8
ROW	22.6	32.6	10.4	44.2	10.4	10.4
Total Exports	252.3	297.3	45.0	17.8	100.0	100.0

ROW = Rest of the World.
Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.