

# Global Beef Market Monthly Review

## February 2020

February 28, 2020

Volume 2, Issue 2

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### Highlights:

- Spread of Coronavirus in over 50 countries has significant implications for beef demand across the world. We have had to adjust some of the projections for exports/imports in 2020 although there is still a significant imbalance given forecasts for a 15% increase in China beef imports in 2020. Will that take place? Or will China actually purchase less beef this year than it did a year ago? That is a key factor that this report will monitor going forward.
- Australia cattle slaughter is projected to decline as much as 15% in 2020 and beef exports are expected to decline accordingly.
- Brazil beef exports are currently projected to increase 7% compared to a year ago. Exports in January were down by 36% compared to December levels, largely due to a sharp decline in shipments to the Chinese market.
- At this time we have significantly changed our outlook for US beef exports and imports, reflecting the continued strength in the US dollar and a potential shift in global trade flows.
- Japan beef imports are expected to increase again this year. Import beef demand will struggle to hit targets if Coronavirus results in cancellation of the Olympics.

### Trade Update for Key Global Players

#### Main Global Meat Trading Countries, Both Export and Import

Countries	% of global export	% of global imports	Most Recent Trade Data			2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
<b>EXPORTS</b>						4,755,890	4,774,819	18,929	0%	
Australia	19%	0%	Jan 2020	79,221	11,631	17%	1,228,963	1,106,067	-122,896	-10%
Argentina	2%	0%	Jan 2020	41,451	8,043	24%	566,272	588,923	22,651	4%
New Zealand	7%	0%	Jan 2020	41,038	7,921	24%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Jan 2020	117,007	14,577	14%	1,535,091	1,634,872	99,781	7%
USA	11%		Dec 2019	81,259	-2,147	-3%	961,419	985,454	24,035	2%
<b>IMPORTS</b>						3,900,668	4,146,622	245,954	6%	
USA		20%	Dec 2019	73,286	5,750	9%	976,446	981,328	4,882	0%
China	0%	9%	Dec-19	189,231	84,596	81%	1,657,152	1,905,724	248,573	15%
Hong Kong			Dec 2019	36,552	-1,411	-4%	364,920	339,375	-25,544	-7%
Japan	0%	9%	Dec 2019	53,131	5,514	12%	615,381	627,689	12,308	2%
Russia	0%	8%	Dec 2019	25,144	-4,634	-16%	286,770	292,505	5,735	2%

\*\*\* Product wt. basis. Projections for 2019 made by Steiner Consulting.

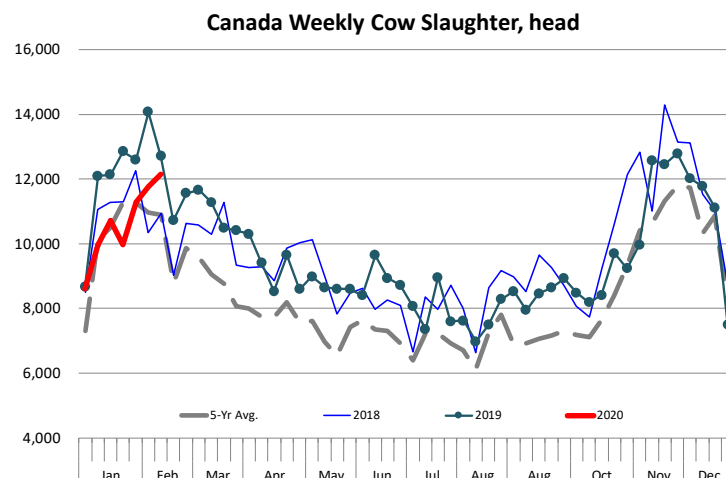
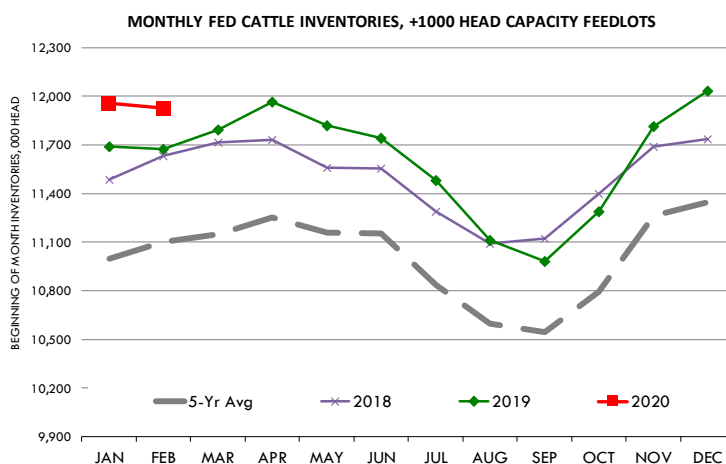
## North America Market Update

**United States:** US fed cattle futures largely shrugged off the somewhat bullish implications of the latest 'Cattle on Feed' report, instead focusing on broader macro events as well as disappointing prices for both cash cattle and wholesale beef. Some key factors driving the US cattle market at this time:

- The Commitment of Traders report for week ending January 21 showed managed money held a big net long position. The outbreak of Coronavirus in China and rising risks for beef demand have caused many spec funds to quickly pivot and managed money net longs for the week ending February 18 were 30,312 contracts, down from 85,312 contracts on January 21. It would not be a big stretch to think that the net long position has been reduced further since then, especially following the selloff in equities the past two days.

- There has not been much positive (other than the COF report) to underpin fed cattle prices and the result has been a 6% to 11% decline across the curve. The February contract is down 9% compared to January 21 while April and June have lost 11%. Futures prices for later in the year have not declined as much due to expectations of tighter supplies later this year and hopes that Coronavirus impact may start to fade by then.

- Beef supplies have been quite large compared to a year ago, both due to more fed cattle coming to market but also because fed cattle carcass weights are running well above year ago levels. Fed cattle slaughter for the week ending February 22 was estimated at 492,000 head, 10.2% higher than a year ago (last year weather caused kills to be lower than normal for that week). Since the first week of January, weekly fed cattle has averaged 486,000 head per week, 3.4% higher than a year ago. We think that this week fed cattle slaughter may be as much as 5% higher than last year as well. Fed cattle weights are significantly higher than last year. Official USDA data (through Feb 8) show steer weights so far this year are up 17.5 pounds or 2% compared to a year ago. Heifer weights during this period averaged 9.7 pounds or 1.2% higher than the same period a year ago. The weighted average of steer and heifer carcass weights so far this year is up 1.6% and when combined with the 3.4% increase in slaughter results in weekly beef production that is about 5% higher than the previous year. The increase in beef production has come at a time when supplies of



other proteins have been quite large as well. Pork production on a weekly basis has been running around 6% higher than last year and broiler production is up similarly as well.

- The increase in supply has resulted in lower prices although the price decline has been smaller than would be expected, indicating that beef demand remains in good shape for the moment. The potential spread of Coronavirus in the US has especially negative implications for beef demand. Beef is by far the most important meat protein at foodservice. Beef has a 99% penetration at foodservice and represents 16% of total food purchases made by restaurant operators (source NCBA). In China the spread of Coronavirus has resulted in a dramatic decline in restaurant foot traffic and the fear is a similar situation could develop in North America. In the US forward beef sales for delivery +61 days out are running 38% low-

## North America (continued)

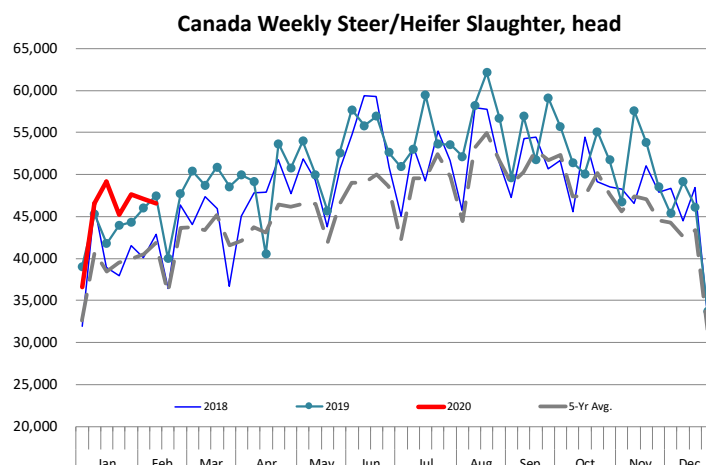
er than a year ago (last four week avg.). Grilling season is around the corner but so is a big pile of protein that we will have to consume here if exports dry up.

**Canada:** Canadian cow slaughter is well below year ago levels but in line with seasonal trends and the five year average. Non-fed slaughter in Canada was especially high in January and February of 2019 before commencing its seasonal decline. For all of 2019 cow slaughter in Canada was 507,299 head, only 2,140 head or 0.4% higher than a year earlier. The cow herd in Canada has been steady in recent years and this continues to limit the supply of non-fed beef available in the market. Fed beef supplies are higher in the near term due to more cattle placed on feed in the second half of 2019. Fed beef supplies increased last year, largely because Canadian producers sent fewer cattle (both fed and feeder) to the US market. Steer slaughter in Canada for all of 2019 were 1.712 million head, 7.1% higher than a year earlier while heifer slaughter at 913,450 head were 2.7% higher than the previous year. In the last four weeks steer and heifer slaughter has averaged 2.6% above year ago levels.

Imported beef supplies are down so far this year, a function of higher prices in the world market and more abundant domestic fed beef supply. Total beef imports through February 15 were 21,054 MT, 12% lower than the same period a year ago. Imports from the US were 15,327 MT, 10% higher than a year ago. On the other hand, imports from Australia were slightly less than 1400 MT, 57% lower than last year and imports from New Zealand at 1,278 MT were 56% lower. Imports from other countries, which includes mostly South American product, were 2,329 MT, 28% lower.

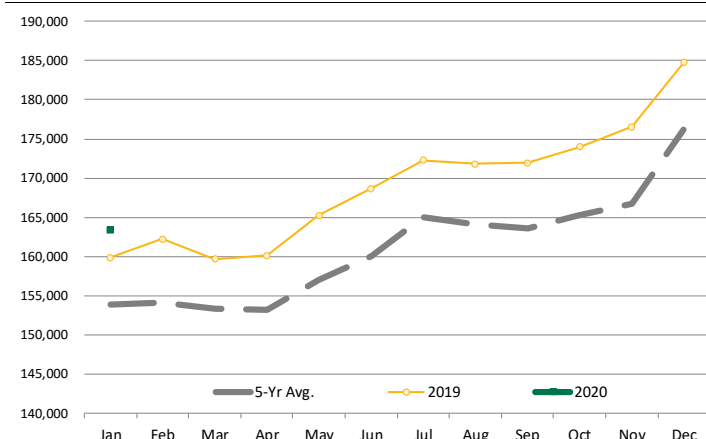
**Mexico:** Mexican beef production has been gaining steadily in recent years and output was up again in January. According to official Mexican data, total production for the month was estimated at 163,448 MT, 2.2% higher than a year ago. In all of 2019 beef production increased by 2.4% and it was almost 177k MT or 9.6% higher than just five years ago. Mexican beef exports to the US market have increased sharply in the last few years, in part due to the steady increase in domestic output but also the depreciation of the Peso and robust prices in the US market. Expectations are that these drivers will remain in place in 2020, resulting in record shipments.

A weak peso and higher prices in the world mar-



### Mexico Beef Production

Source: SAGARPA

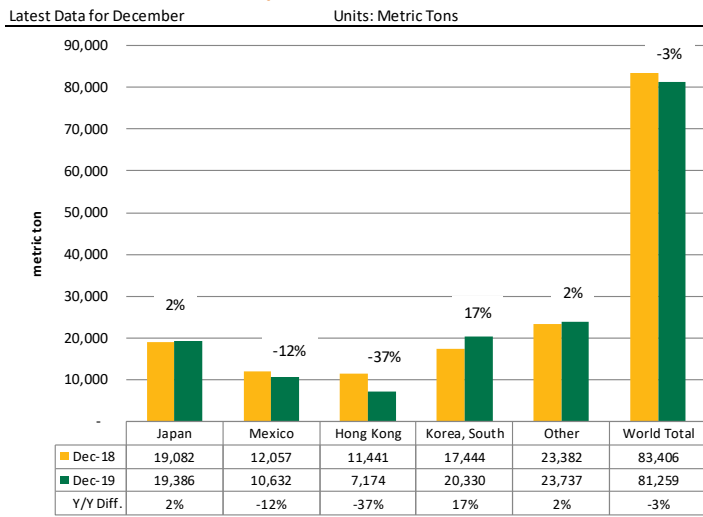


ket continue to fuel beef supply expansion and consequently Mexican beef exports. December data is not available but in November Mexican beef exports were estimated at 21,221 MT on a product weight basis, 9% higher than the previous year. The bulk of Mexican beef exports go to the US and November shipments were estimated at 18,421 MT, 10% higher than a year earlier. For the period Jan-Nov, Mexican beef exports to the US market were 200,244 MT, 15% higher than a year earlier. The second significant market for Mexico, albeit quite small compared to the US, was Japan. In November shipments to Japan were 959 MT, down about 9% from the previous year. For the entire 11 month period, exports to Japan were 12,954 MT, 11% higher than a year earlier.

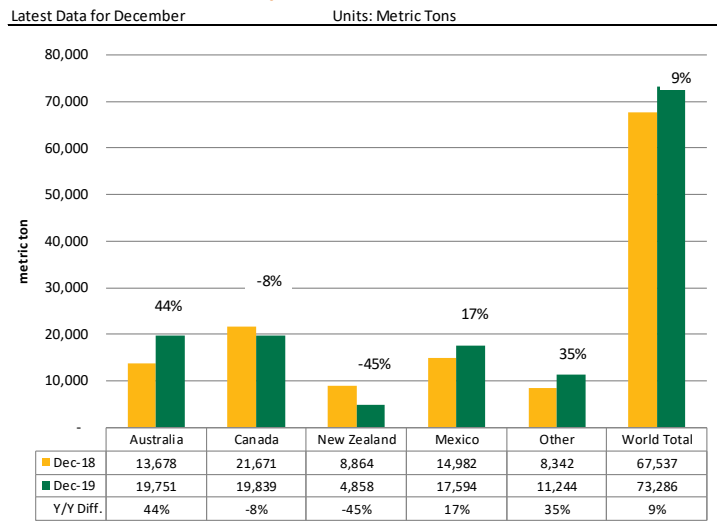
The same factors that bolstered Mexican beef exports in 2019 worked against beef imports. November imports were 10,385 MT, down 11% from a year earlier. Imports from Canada were down 11% and imports from other markets were down 10%. Imports for the Jan-Nov period were down 3%, while imports from the US were down 4%.

## North America Trade Statistics

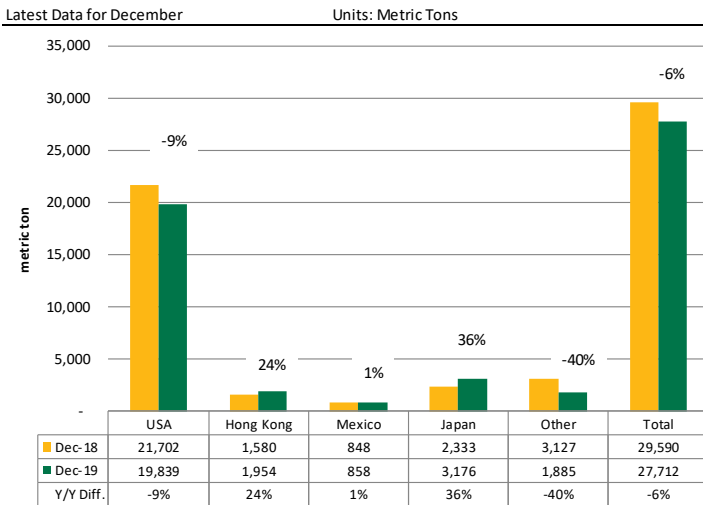
### USA Fresh/Frozen Beef Exports



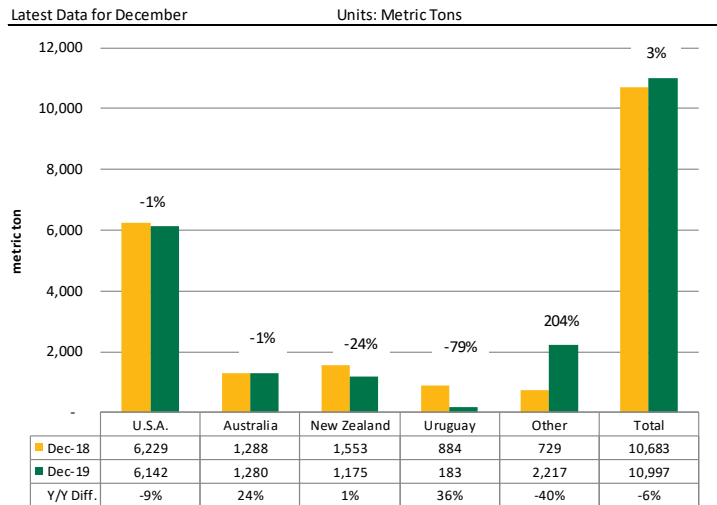
### USA Fresh/Frozen Beef Imports



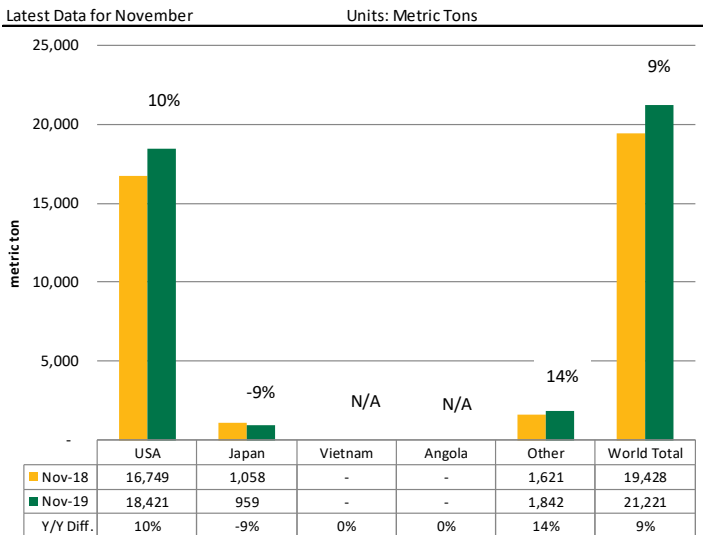
### Canada Fresh/Frozen Beef Exports



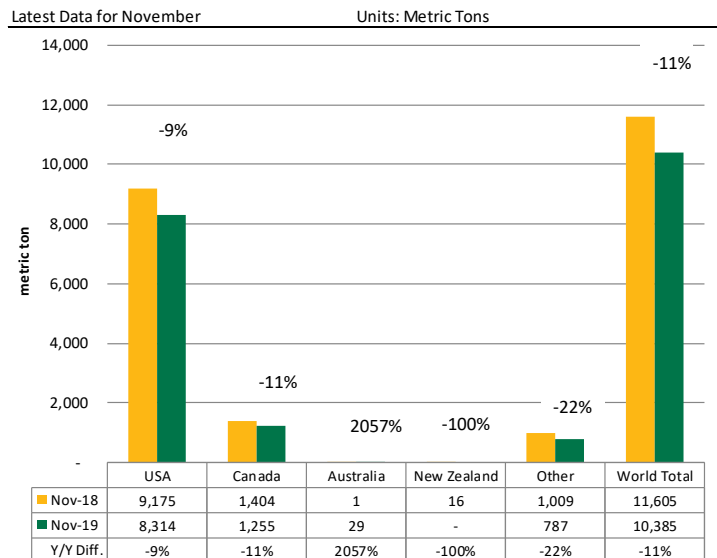
### Canada Fresh/Frozen Beef Imports



### Mexico Fresh/Frozen Beef Exports



### Mexico Fresh/Frozen Beef Imports



## South America Market Update

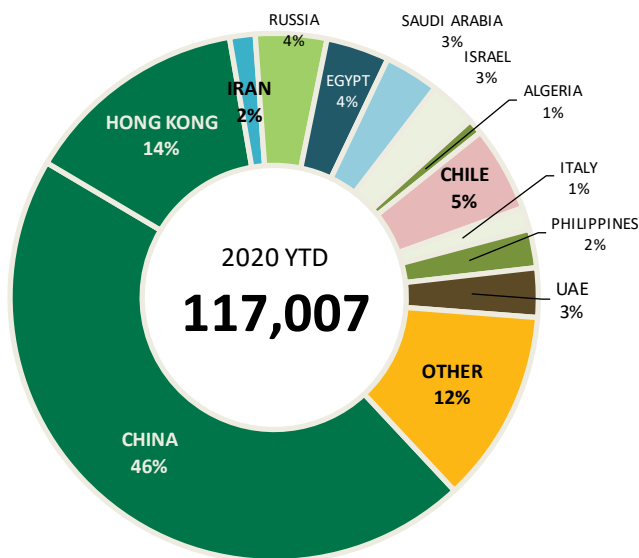
**Brazil:** Brazilian beef exports were higher in January despite a significant slowdown in shipments to China. It is important to put the export numbers in perspective, however. Brazilian beef exports in Q4 of last year were at all time record levels, driven by a sharp jump in exports to China. Exports to the Chinese market in January were 53,191 MT, down 30,358 MT or 36% compared to December levels. But December 2019 shipments surpassed exports for all of Q1 of last year. January shipments were still more than double what they were a year ago. Exports to other markets were for the most part lower. Shipments to Egypt dropped 61% and exports to Hong Kong were also 15% lower. Expectations are for Brazilian beef exports to remain above year ago levels for much of 2020 although the pace of growth is forecast to slow down. Our current working forecast is for Brazilian beef exports to increase by 8%. Exports to China are expected to be only modestly higher than a year ago.

Brazil recently gained access to the US market. The last time Brazil shipped fresh beef to the US was in the spring of 2017. The general consensus is that the pace of shipments will be slow at the start. Brazilian authorities have yet to send to USDA the list of plants eligible to ship to the US. Brazil does not have a country specific quota so shipments will count against the 65,000 MT quota available to all MFN countries. At this time the only country with any significant volume using that quota is Ireland. We think Irish beef shipments to the US in 2020 will be under 6000 MT. We do not expect Brazil to fill the MFN quota this year.

**Argentina:** Argentina beef exports contracted sharply in January, largely due to a sudden slowdown in China orders. There were numerous media reports that Chinese traders may have overextended themselves in their purchases for the Lunar New Year. Also, with hindsight, those traders may have reacted to reports of a spreading Coronavirus that eventually impacted demand during peak demand period. Exports to China in January were 30,135 MT, 31% higher than a year ago but almost 40% lower than in December. Last year January shipments were down 7.5% compared to December and in January 2018 shipments were higher than the previous December. Total exports for the month were still 41,451 MT, 24% higher than last year. Argentine exports increased rapidly in the second half of 2019 and it remains to be

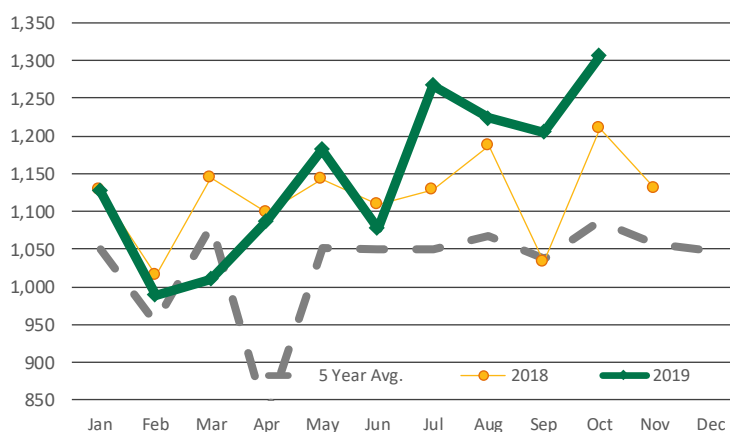
### Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan 2020



### Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



seen if that trend continues. More Argentine beef may start to go to Russia if the slowdown in China demand persists. Shipments to the US market remain minimal. USDA data shows that through February 15 US imports of Argentine beef were only 772 MT. A wire story from Reuters recently indicated that the Argentine government has suspended registration of agricultural exports. There is speculation this is a prelude to higher export taxes, especially for grains. It remains to be seen if we see a return of export controls as well.

**Uruguay:** Uruguayan cattle slaughter is off to a slow start this year. While it normally takes a number of weeks before plants are running at full capacity, we still think that

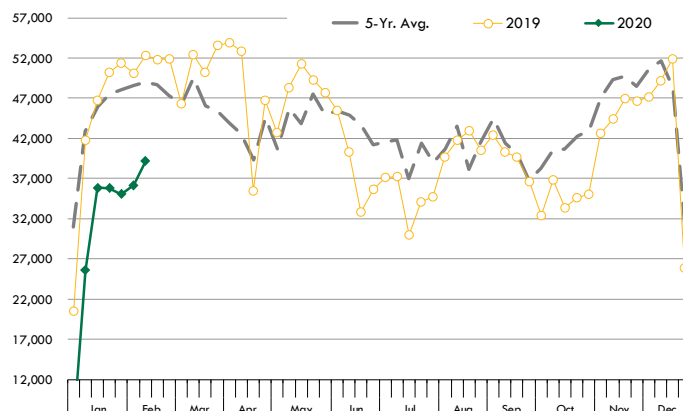
## South America (continued)

this year the process may take longer. A slowdown in China demand, lower prices in the world market, and more limited cattle supplies in Uruguay have all combined to impact the pace of weekly slaughter. In the four weeks ending February 15 cattle slaughter was a total of 146,231 head, 57,676 head or 26.1% lower than a year ago. Cow slaughter during this period was 56,914 head, 35% lower than last year.

Lower supplies and a slowdown in China demand resulted in a double digit decline in January exports. Total export shipments for the month were 19,486 MT, 17% lower than a year ago. Exports to China were 11,264 MT, 24% lower than a year ago but still accounting for 58% of all shipments. Exports to the US market in January were 1,745 MT, 31% lower than a year ago while exports to Russia remain almost non-existent. The spread of Coronavirus in China and other countries is expected to impact trading in the near term. The latest reports from Uruguay continue to suggest that the slowdown in China foodservice business is expected to negatively impact South American beef exports through the spring.

**Uruguay Cattle Slaughter, Total**

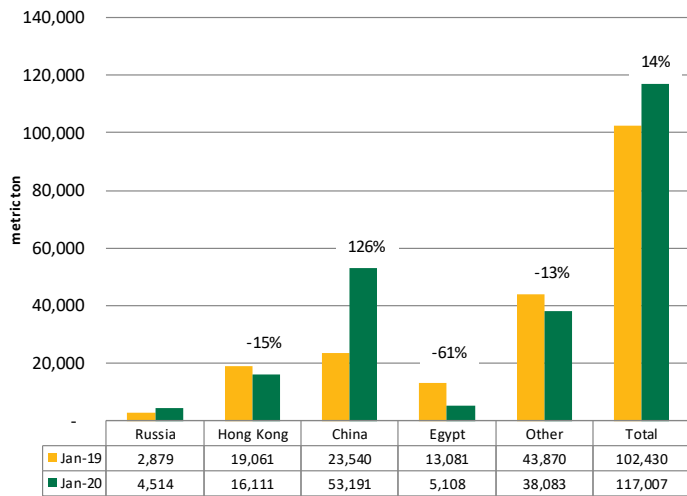
Weekly Slaughter in Head. Source: World Beef Report



## South America Trade Statistics

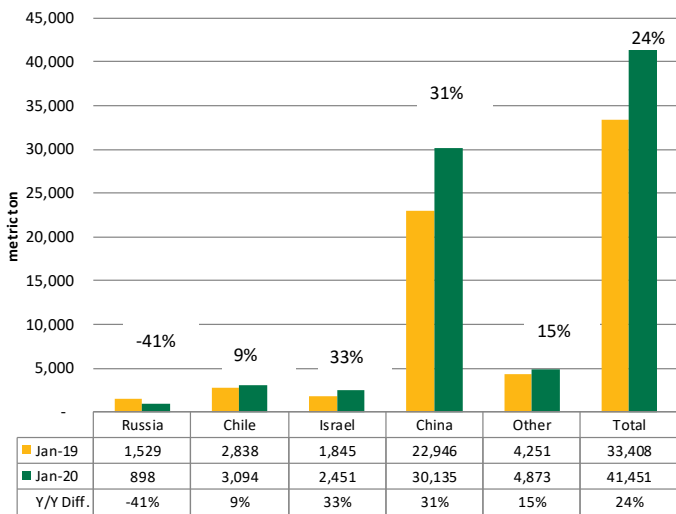
### Brazil Fresh/Frozen Beef Exports

Latest Data for January Units: Metric Tons



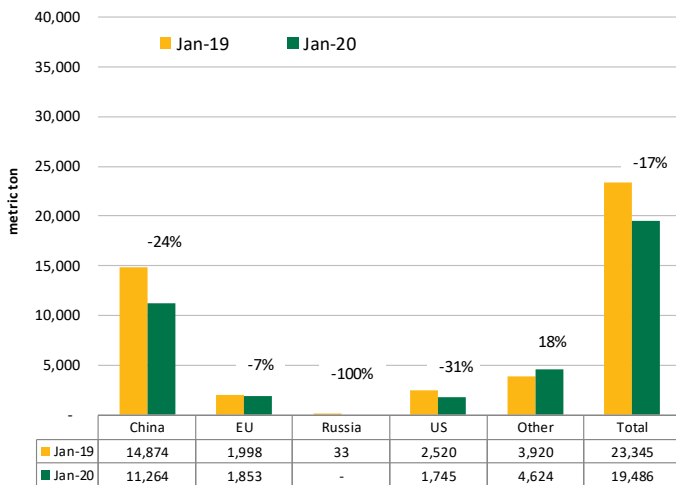
### Argentina Fresh/Frozen Beef Exports

Latest Data for January Units: Metric Tons

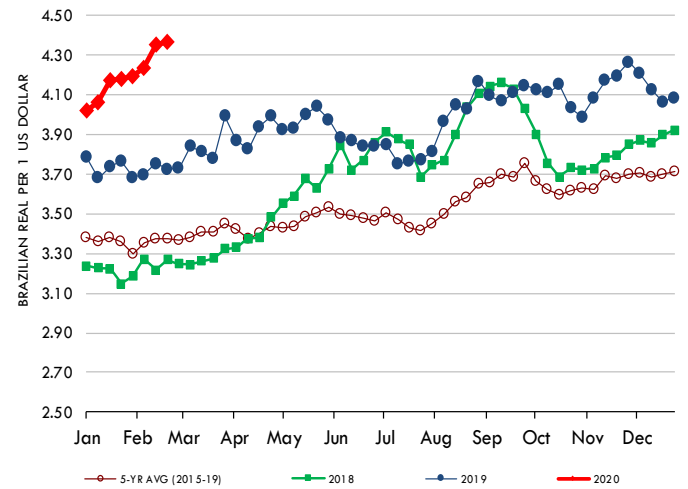


### Uruguayan Fresh/Frozen Beef Exports

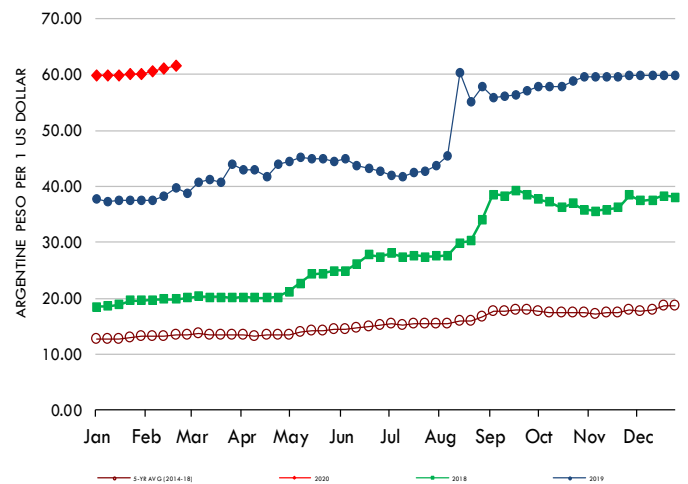
Latest Data is for Jan 2020 Units: Metric Tons



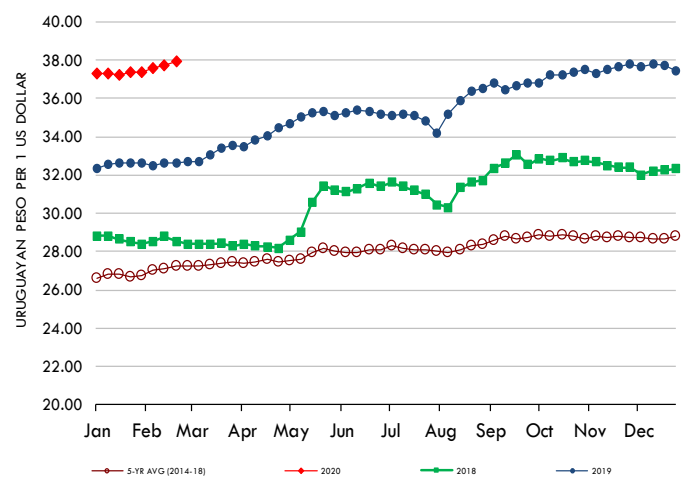
### Brazilian Real Per 1 US Dollar



### Argentine Peso Per 1 US Dollar



### Uruguay Peso Per 1 US Dollar

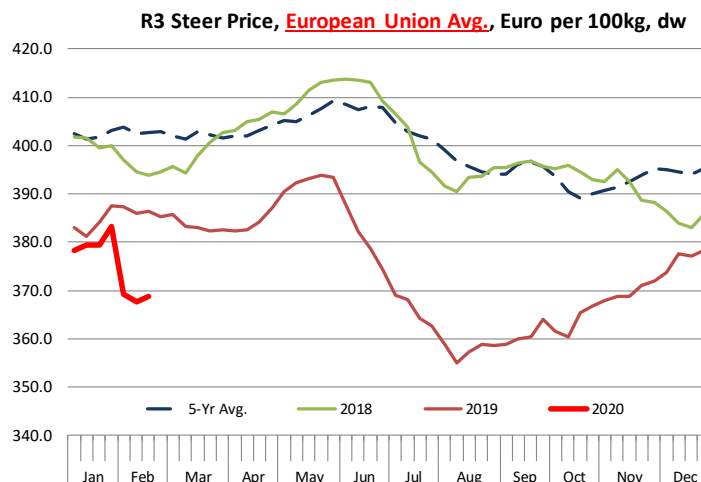


## Asia / EU Market Update

**European Union:** Cattle slaughter in Ireland has been trending higher in recent weeks but the number of cattle coming to market so far this year is similar to a year ago. Seasonally slaughter is higher in January and February, in part because of the disruptions caused by holidays at the end of the year. The strikes that hit the industry in August and September have also created some backlogs that will likely be resolved in the coming weeks. For the week ending February 23 total cattle slaughter was 39,981 head, 5.7% higher than a year ago. In the last four weeks slaughter has been about unchanged from last year. Steer slaughter in the last four weeks has averaged 12,754 head/wk, up 11% from a year ago. On the other hand, cow slaughter in the last four weeks averaged 6,971 head/wk, 8.8% lower than year ago levels. Cow slaughter was especially high in the first three months of last year when Brexit uncertainty resulted in some liquidation. UK and EU are still working on the new trading relationship but much of the Brexit uncertainty is behind us and that has helped stabilize prices. The average O3 cow price in Ireland was last quoted at 291 euro per 100 kg, 9% higher than a year ago. Cow prices in the UK have also gained and they are currently running about 11% above last year's levels. Cow prices in the rest of the EU are about the same as they were last year. R3 steer prices in Ireland were last quoted at 366 euro per 100 kg, 0.2% lower than a year ago. Higher cattle/beef prices in the UK have underpinned Irish cattle values. The average EU steer price was last quoted at 369 euro per 100 kg, down 4.5% from last year.

In the US, Irish beef imports increased in the second half of 2019. Sharply higher prices for imported beef in the US suddenly made the US market quite attractive. Imports in the first few weeks of 2020 have maintained that strong trend. According to USDA-AMS data, Irish imports through February 15 were 1,363 MT, up 153% from the same period a year ago.

**China/Japan/S. Korea:** Chinese official trade data has not been released as of the writing of this report. This makes it difficult to assess the level of imports in the month of January but early indications are that January imports continued the strong trend of previous months. We think it will be February and March data that will show a significant slowdown due to congestion at ports and the decline in consumer demand at foodservice. Additionally, there



### China Beef Imports in Jan - November 2019. Metric Ton.

Source: China Customs

Import Partners	12/1/2018	12/1/2019	Y/Y MT	Y/Y %	Jan - Dec 2018	Jan - Dec 2019	Y/Y MT	Y/Y %
Brazil	31,759	63,347	31,588	99%	322,693	399,642	76,950	24%
Uruguay	19,631	24,101	4,470	23%	218,553	285,826	67,273	31%
Argentina	24,699	45,764	21,065	85%	180,377	375,581	195,204	108%
Australia	13,612	24,852	11,240	83%	173,088	307,193	134,105	77%
New Zealand	10,044	17,955	7,911	79%	110,805	211,684	100,879	91%
Canada	1,277	48	(1,229)	-96%	8,178	9,997	1,820	22%
South Africa	1,215	1,837	622	51%	6,639	5,517	(1,122)	-17%
Costa Rica	872	1,596	724	83%	5,410	11,749	6,339	117%
United States	669	1,264	595	89%	6,916	9,851	2,936	42%
Other	856	8,467	7,611	889%	6,730	40,111	33,381	496%
<b>Total</b>	<b>104,635</b>	<b>189,231</b>	<b>84,597</b>	<b>81%</b>	<b>1,039,388</b>	<b>1,657,152</b>	<b>617,764</b>	<b>59%</b>

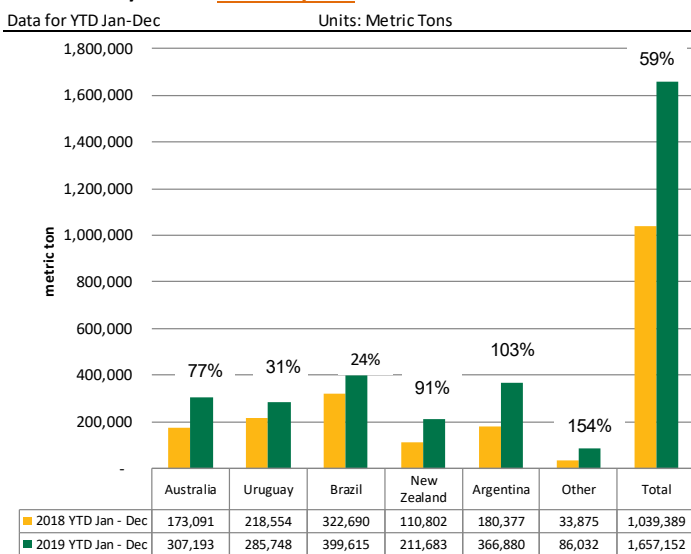
have been no updates on the pork/hog supply situation. The best indication we have at this time on that is the price of pork and other proteins, which remain at or near all time record highs. The spread of Coronavirus in China and measures to contain have made it quite difficult to assess the level of product demand going forward. It appears that, at least in the short term, a slowdown in food-service demand will negatively impact beef imports in the country. Our working forecast at the start of the year was for a 30% increase in imports. We have pulled that back to 15% but even that may prove to be too optimistic if the disease impacts continue to persist through Q2.



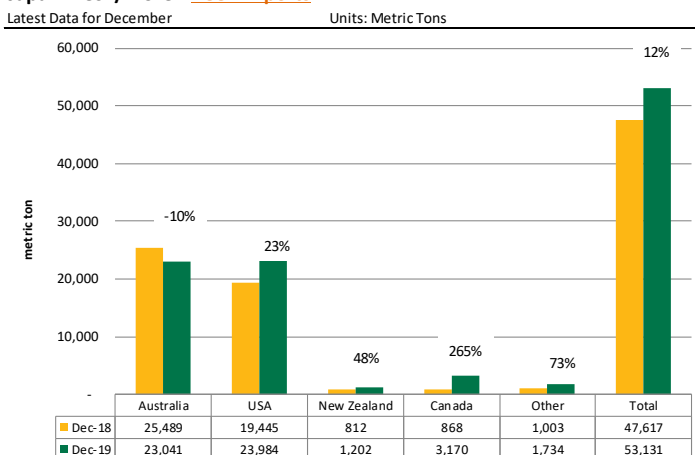
## Asia / EU Trade Statistics

Japan imports of fresh/frozen beef in 2019 were 615,381 MT, just 1% higher than the previous year and in line with the trend of recent years. The mix of imports shifted last year, however, as Japanese importers took advantage of the different tax rate applied on products from North America. Imports from Canada for all of 2019 were 42,896 MT, double what they were the previous year. Imports from the US, however, declined 3% and imports from Australia were down 6%. Domestic beef production in Japan continued to decline for much of 2019 and we think this sets the stage for higher imports in 2020. Total cattle slaughter in Japan for calendar year 2019 was 1.043 million head, 1.2% lower than the previous year. Cow and heifer slaughter at 208,633 head was 0.5% higher than the previous year. Our current estimate is for Japan beef imports to increase 2% this year. However, given the spread of Coronavirus and impact this could have on tourism, it is possible this forecast may be revised lower. The downward revisions could be even more significant if the spread of the disease results in the cancellation of this year's summer Olympics.

### China Fresh/Frozen Beef Imports



### Japan Fresh/Frozen Beef Imports



## Oceania Update

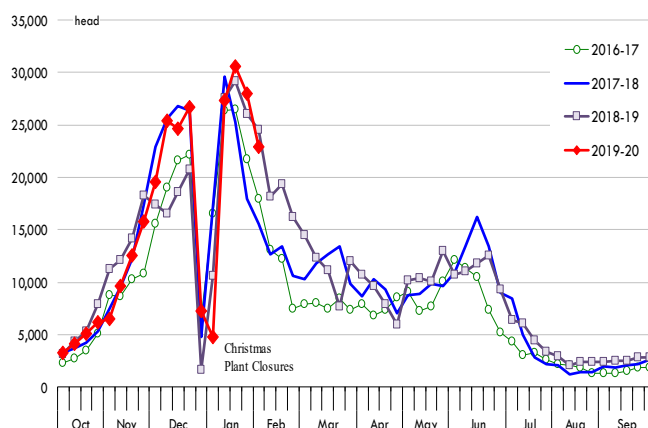
**New Zealand:** New Zealand bull slaughter likely peaked in mid January and it has been trending down since then. We think weekly bull slaughter at the end of February was under 15000 head per week compared to 30000 head per week in mid January. Cow slaughter has been trending higher in recent weeks as precipitation in the North Island has been significantly below average. Seasonally New Zealand cow slaughter increases in March and April. This year, dry conditions in the North and weak dairy markets could push cull cows to market earlier. Slaughter in January was up almost 30% from last year. On the other hand, packers are struggling with the slow-down in China demand, which may result in lower bids for cattle and possibly delay culling. New Zealand beef exports in January were 41,038 MT, 24% higher than a year ago (see details in attached chart).

**Australia:** Moisture conditions have improved in key cattle producing areas and this has limited slaughter. Expectations are for Australian slaughter to be down this year although it was not expected that the slowdown would come so soon. Slaughter for the week ending February 21 was down 9% from the previous year. Slaughter in Queensland was down 14%. In the last four reported weeks Australian cattle slaughter has averaged 5.8% below year ago levels. The improvement in moisture conditions has resulted in a significant improvement in feeder cattle prices. The EYCI index was last quoted at 719.75 AUD per 100kg, a 48% jump from where prices were in mid January. This is by far the biggest jump in the value of the EYCI index for such a short period of time. However, it is important to remember that the EYCI index traded at a low of 278 in early January 2014 to a high of 725 by early 2016.

Australian exports in January were 79,221 MT, 17.2% higher than a year ago. However, the slowdown in slaughter limited export trade in February and we are currently projecting total February shipments at a little over 91,000 MT, 4% lower than a year ago. Exports to the US market in January were 15,698 MT, 14.6% higher than the previous year. Since October Australian beef exports to the US market have increased by almost 15,000 MT or 23% compared to the same four month period of the previous year. Exports to China were at record levels in the final quarter of 2019. January shipments to China were 21,026 MT, up 8,800 MT or 73% from a year earlier but down from 34,291 MT that was shipped in December.

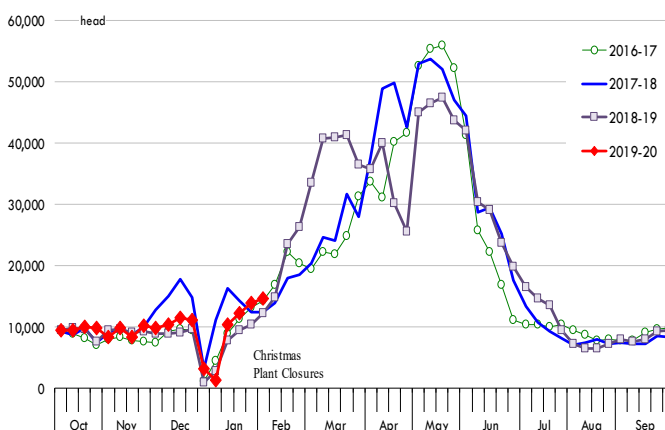
### New Zealand Weekly Bull Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



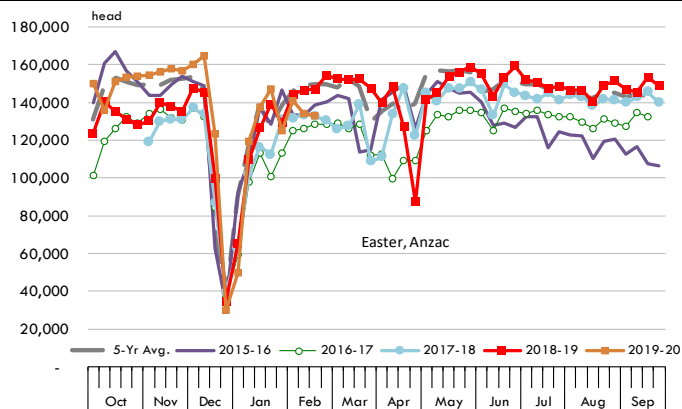
### New Zealand Weekly Cow Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



### Australia Weekly Cattle Slaughter, Head. Oct - Sep Base

Data Source: Meat & Livestock Australia. Analysis by Steiner Consulting



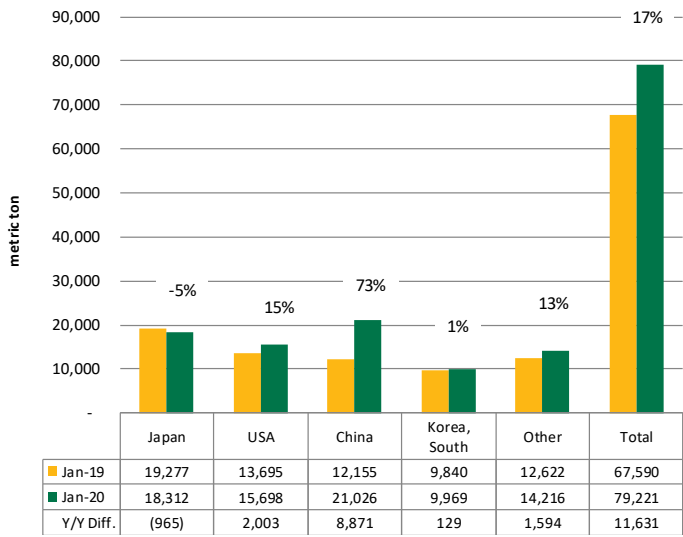
February export filing data continues to show strong exports to China but we will have to wait for the official data to confirm. Shipments to South Korea in January were

## Oceania Statistics

9,969 MT, 1.3% higher than a year earlier while exports to Japan at 18,312 MT were 5% lower than last year. Export filings for February indicate that exports to Japan may also be down 5% from year ago levels.

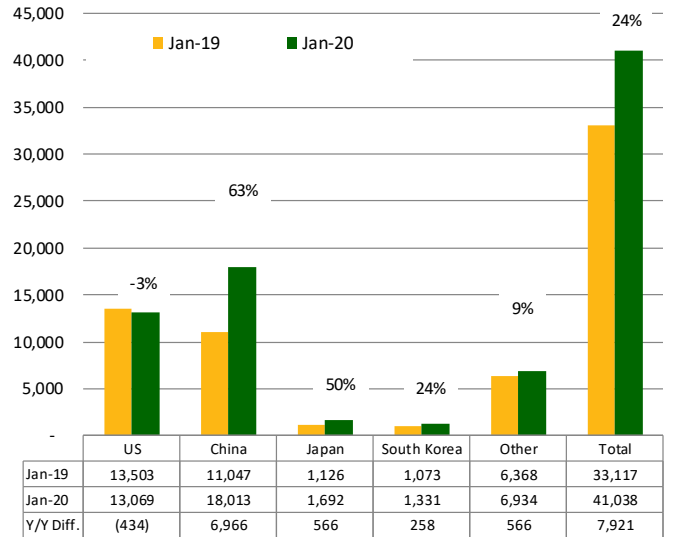
### Australia Fresh/Frozen Beef Exports

Latest Data for January Units: Metric Tons



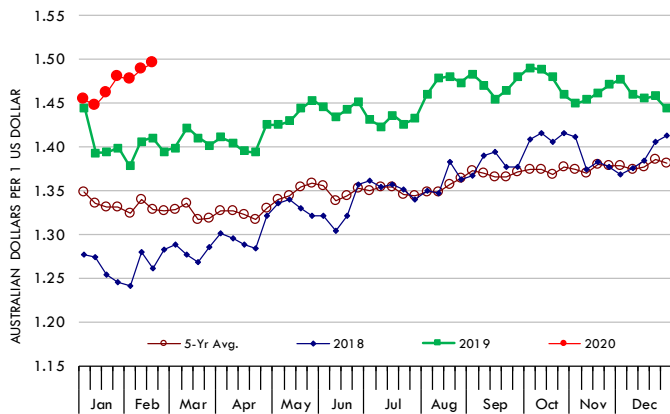
### New Zealand Fresh/Frozen Beef Exports

Latest Data for January Units: Metric Tons



### AUSTRALIAN DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate



### NEW ZEALAND DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate

