

Global Beef Market Monthly Review

June 2019

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Highlights:

- China continues to be the primary demand driver in the global market. Imports in the first half of the year increased by more than 50%, surpassing the increase in exports from major world supplying countries.
- China imports are expected to slow down in the second half of the year, in part because we will be comparing to a much more torrid pace in shipments in 2018 but also because supply availability from key markets is expected to slow down.
- More than half of all New Zealand beef exports in June went to China, something that was unimaginable even a year ago and an indication of the dramatic realignment in global beef trade.
- Mexico production was up 2.7% in June, driving higher exports to the US market while imports continue to decline. Mexico has become a net beef exporter in the last couple of years and that trend is expected to continue for the remainder of the year.
- Drought conditions are not expected to improve in Australia during the next three months. The high rate of slaughter should support exports in the near term but sets up a more bullish outlook for 2020 and 2021.
- US cow herd declined for the first time since 2014, signaling a peak in current cycle.

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	Y/Y Ch.	Y/Y % ch.	2018 Estimate	2019 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS										
Australia	19%	0%	Jun 2019	100,050	-1,121	-1%	1,125,653	1,136,910	11,257	1%
Argentina	2%	0%	Jun 2019	43,815	15,003	52%	368,577	460,721	92,144	25%
New Zealand	7%	0%	Jun 2019	48,955	1,916	4%	436,863	434,679	-2,184	0%
Brazil	18%	1%	Jun 2019	111,512	57,096	105%	1,353,290	1,468,320	115,030	9%
USA	11%		May 2019	86,567	-369	0%	1,007,761	1,043,033	35,272	3%
IMPORTS										
USA		20%	May 2019	94,936	4,858	5%	963,234	948,786	-14,449	-2%
China	0%	9%	Jun 2019	133,744	50,451	61%	1,039,389	1,351,206	311,817	30%
Hong Kong			Jun 2019	26,285	-7,384	-22%	435,056	465,510	30,454	7%
Japan	0%	9%	May 2019	48,558	-5,579	-10%	607,716	638,102	30,386	5%
Russia	0%	8%	May 2019	20,527	-10,132	-33%	314,220	304,793	-9,427	-3%

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

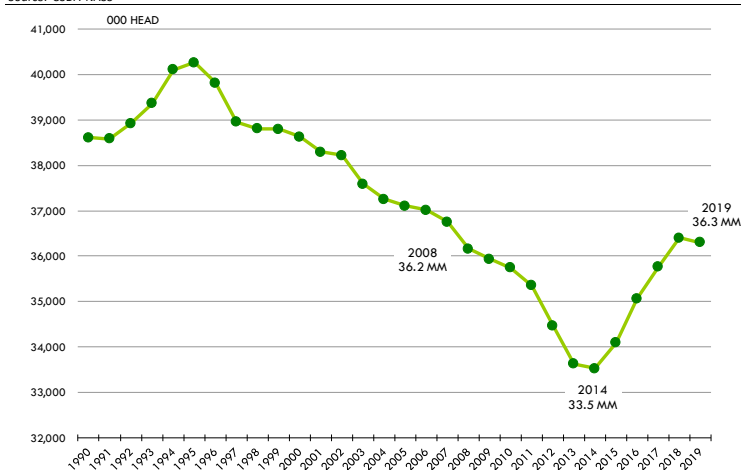
North America Market Update

United States: According to the latest USDA semi-annual ‘Cattle Inventory’ report, the total inventory of cattle and calves as of July 1 was estimated to be 103 million head, unchanged from the previous year and very much in agreement with the average of analyst estimates prior to the report. Despite this agreement about the top line number from the survey, a number of other key numbers suggest a more bullish view for fed cattle prices in 2020 and 2021. The inventory of all cows as of July 1 was estimated at 41.7 million head, 100k head or 0.2% lower than a year ago. This was the first decline in the cow herd since 2014. The lower cow numbers were all due to a decline in the dairy herd. This was expected since USDA does offer an update on dairy inventory numbers on a monthly basis and the numbers from that survey have shown a consistent reduction. The dairy cow herd was estimated at 9.3 million head, 100k head or 1.1% smaller than a year ago. The beef cow herd at 32.4 million head was unchanged from a year ago. Both these numbers are generally in agreement with pre-report estimates.

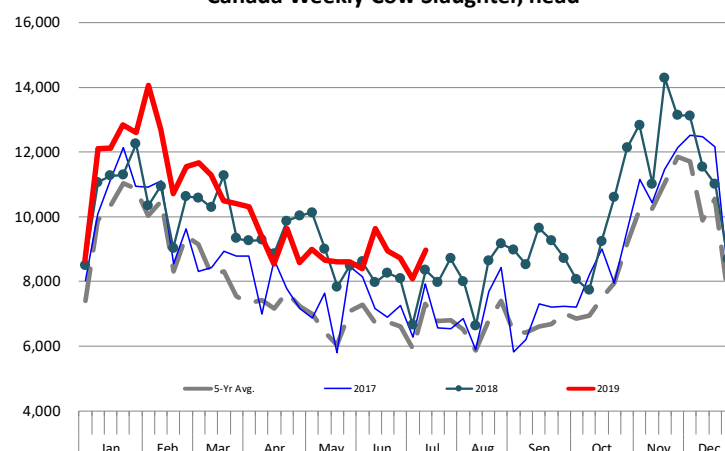
Probably the more bullish number in the report was the number of heifers held back for beef and dairy herd replacement. In a profitable environment producers tend to hold back more heifers for replacement, which invariably results in an expansion of the cow herd and continued growth in calf production. Producers surveyed this time around suggested that they intend to retain 200k fewer heifers for beef cow replacement, a decline of 4.3% from a year ago. They also expected to reduce the number of dairy replacement heifers by 100k head or 2.4%. The increase in the cull rate and the reduction in heifer retention points to lower cow inventory numbers by the end of this year and likely in 2020. Retaining fewer heifers for rebuilding purposes implies producers are expecting to push more heifers into feedlots. That has been the case so far this year and it is expected to continue. The latest USDA ‘Cattle on Feed’ report showed a decline in the number of steers on feed while heifer inventories in the feedlot were 7.7% higher. According to the USDA survey, the inventory of heifers that currently are or will go into feedlots was 7.9 million head, 400k head or 5.3% higher than a year ago. The increase in the calf crop last year and the lower heifer retention numbers have helped bolster feeder supplies in the last 12 months. The growth in feeder supplies has been slowing down and could come to an end next year. USDA currently estimates the calf crop for 2019 to be 36.3 million head,

USA ANNUAL CALF CROP

Source: USDA-NASS



Canada Weekly Cow Slaughter, head



about 100k head smaller than the previous year. If correct, this would be the first decline in the calf crop since 2014. The calf crop estimate will be revised in January, when USDA will get an update on the number of calves born in the second half of the year. At this time USDA is estimating a 100k head decline in the calf crop from the first half of the year while it is leaving the calf crop for the second half of the year unchanged from a year ago. Beef cow numbers as of July 1 were unchanged, which could support the estimate for a similar calf crop to 2018. However, higher feed costs and poor returns for cow-calf operators could very well result in a decline in the calf crop in the coming months and thus an even bigger decline in the calf crop for this year. At this time we estimate the supply of feeder cattle outside feedlots as of July 1 to be 37.1 million head, only 100k head or 0.3% higher than a year ago.

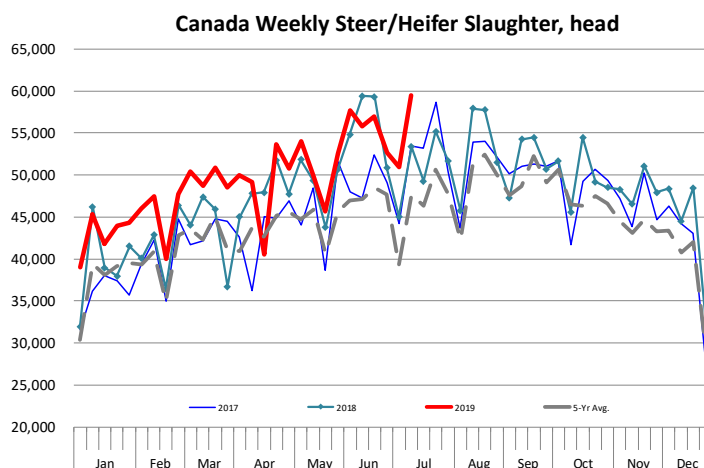
North America (continued)

Canada: The inventory of cattle on feed in Alberta/Saskatchewan feedlots as of July 1 was estimated at 900k head, 7% higher than a year ago. The supply of cattle on feed in Canada has been running well above year ago levels for much of 2019, a function of more feeders going into feedlots towards the end of 2018 and strong demand in the US market. Improving weather conditions and higher placements earlier in the year resulted in a notable decline in placements during June. According to Canfax, June placements were just 73,635 head, 22% lower than a year ago. Heifer placements were 22,286 head, 40% lower than a year ago.

The increase in the number of cattle on feed has resulted in higher fed slaughter and higher exports to the US and Asian markets. Combined steer and heifer slaughter in the four weeks ending averaged about 55,000 head per week, 5.5% higher than a year ago and 20% higher than the five year average. Cow slaughter during this period averaged 8,670 head/wk, 10.5% higher than a year ago and 30.4% higher than the five year average. Canadian beef exports in May were 32,332 MT, 16% higher than a year ago. Exports to the US market were 23,483 MT, 11% higher than last year while exports to Japan, at 4,402 MT, were 88% higher than last year. Canadian beef imports in May were 10,526 MT, 9% lower than last year. Imports from Australia in May were down 52% and down 29% during Jan-May.

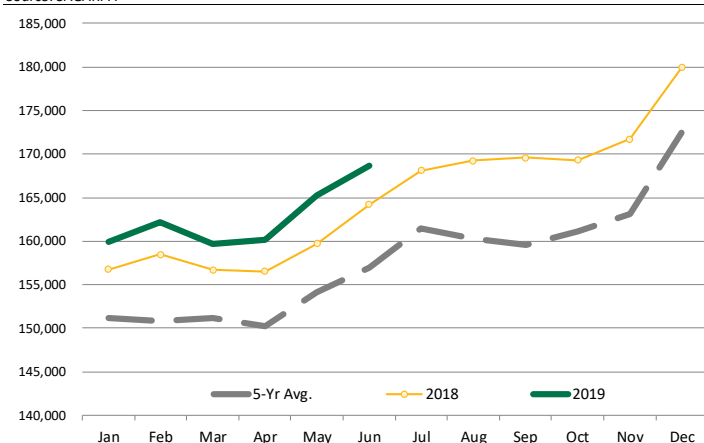
Mexico: Mexican beef production in June was estimated at 168,670 MT (cwe), 2.7% higher than a year ago. The state of Veracruz accounted for 14% of national production, making it the top beef producing state in Mexico. At 21,822 MT production in Veracruz increased 1.5% compared to year ago levels. The second largest producing state was Jalisco. June production in that state was estimated at 19,596 MT, 0.9% higher than a year ago. We have seen very strong growth in some of the mid to low tier producing states, such as Durango, Guanajuato and Guerrero. June production in these four states was up 11.4%, 9.5% and 10.6%, respectively.

Cattle prices have been trading near year ago levels. Steer prices in Veracruz in July were around 41 peso per kg on a live basis and 64.5 peso per kg on a dressed basis. This is almost the exact price paid a year ago. About 93% of the cattle coming to market were from some type of confinement system. Prices in Jalisco were



Mexico Beef Production

Source: SAGARPA

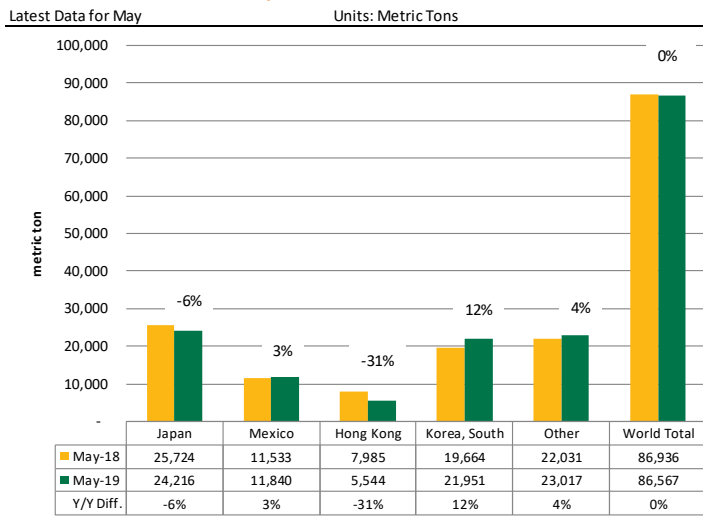


modestly lower than a year ago. The average price of feedlot cattle on a dressed basis was 69.9 peso per kg, down 2.2% from a year ago. About 70% of the cattle that were traded were from confinement systems.

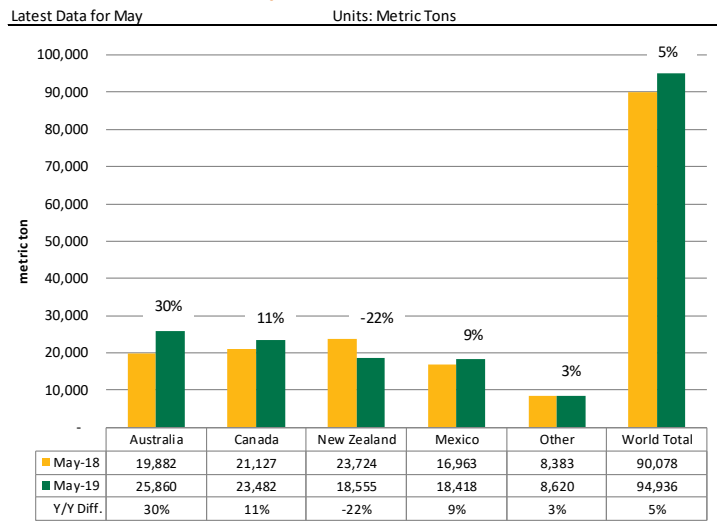
Exports of fresh/frozen Mexican beef in May were 22,229 MT, 13% higher than a year ago. The US market remains the main destination for Mexican beef. Shipments to the US in May were 18,764 MT, 11% higher than a year ago. Exports to Japan remain stable. At 1,239 MT exports to this market were 2% lower than a year ago. Mexico in recent years has become a net beef exporter and that trend continued in May as well. Total imports for the month were 11,423 MT, 5% lower than a year ago. Imports from the US were 9,373 MT, 2% lower while imports from Canada at 959 MT were 17% under last year. While imports from Australia remain minimal, May imports were 188 MT, one of the largest quantities that we have seen in recent years. Imports from New Zealand are non-existent at this time.

North America Trade Statistics

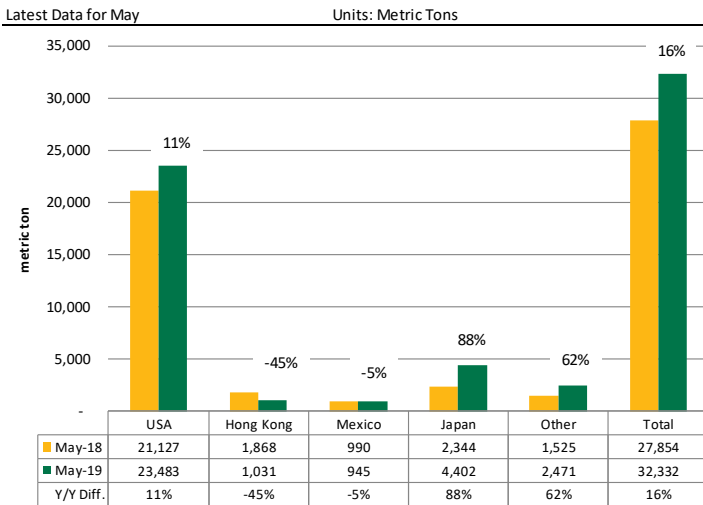
USA Fresh/Frozen Beef Exports



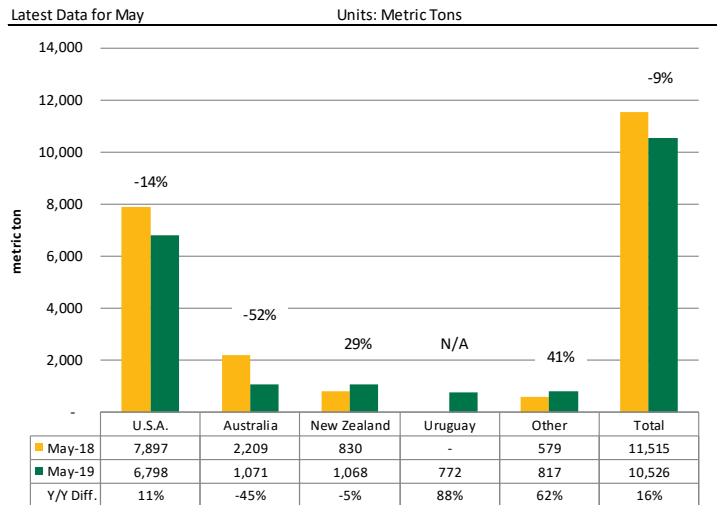
USA Fresh/Frozen Beef Imports



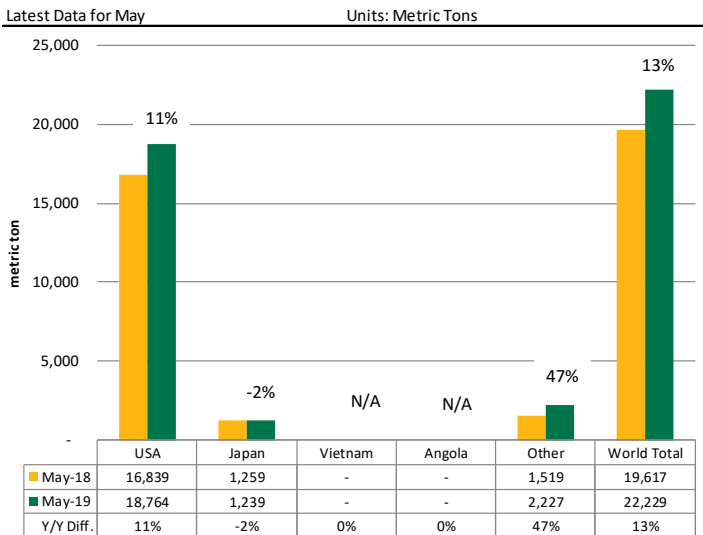
Canada Fresh/Frozen Beef Exports



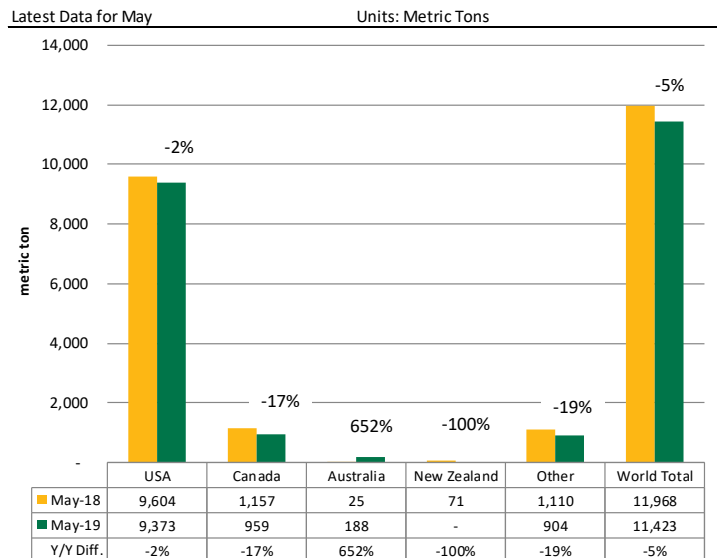
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

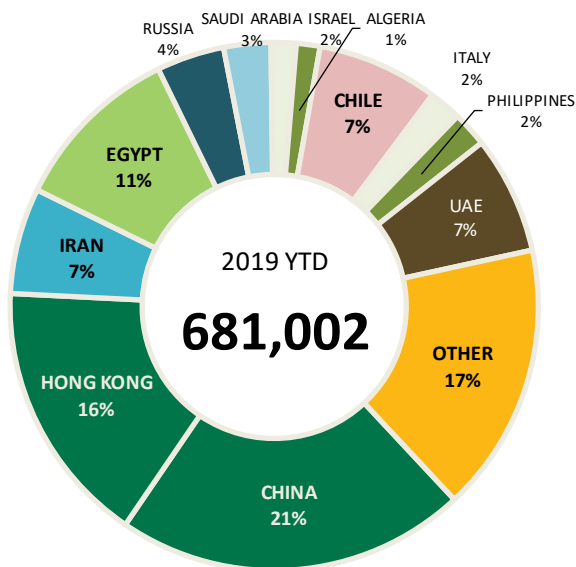
Brazil: Brazil beef exports were sharply higher than a year ago, a result of strong demand in the world market but also due to extremely depressed exports last year. Total shipments of fresh and frozen beef in June were 111,512 MT, more than double year ago levels. Brazil beef exports were particularly constrained in Apr, May and Jun last year due to worker strikes. Since July last year monthly beef shipments have averaged about 126,000 MT/month and in that context the latest export figures do not appear as dramatic. China and Hong Kong remain the top markets for Brazilian beef. Shipments to these markets in June were up 39% and 74%, respectively. In the first six months of the year China/HK accounted for about 38% of all Brazilian beef exports. But there is more competition for Brazilian beef these days, especially from the Middle East and Russia. The approval of some Brazilian beef plants to ship product to Brazil has resulted in about 28,000 MT of product going to that market in the first half of the year. Exports to other smaller markets have also increased significantly, in part because world buyers have been crowded out by China. For example, exports to the Philippines in the first six months of the year were 14,700 MT, about 8,000 MT or 122% higher than a year ago. Exports to the United Arab Emirates in the first six months were 49,114 MT, a 40,000 MT increase (+461%) compared to the same period a year ago.

Argentina: As with a number of other markets around the world, China demand continues to drive export volumes and prices in Argentina. Total Argentine beef shipments in June were 48,815 MT, 15,003 MT or 52% higher than the previous year. Shipments to the Chinese market were 33,376 MT, more than double year ago levels and representing 76% of overall shipments. Argentina has become primarily a supplier to the Chinese market, with other markets accounting for a small share of total shipments. While Argentina has been granted access to the US market the volume shipped so far this year has been minimal and that is not expected to change in the near future. For now, strong demand in the Chinese market and the weak Peso make Argentina a very attractive market for Chinese buyers.

Total cattle slaughter in Argentina for the month of June was reported at 1.077 million head, 5.1% lower than a year ago. Cattle slaughter this year has been trending lower. Cow slaughter in June was 242.7k head,

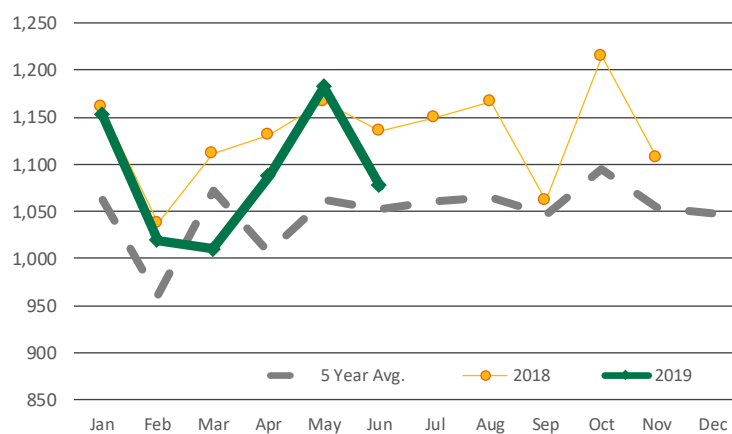
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Jun 2019



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



4.8% higher than last year. Slaughter has been running significantly above year ago levels for much of the year as robust export prices encourage producers to liquidate.

Uruguay: Uruguayan beef exports were higher in May and June thanks to a notable seasonal increase in slaughter during that period. However, as slaughter numbers have declined sharply recently, we expect to see a contraction in the amount of beef Uruguay sells in the world market. Cattle slaughter in Uruguay during the four weeks ending July 21 averaged 35,035 head/wk, 15.7% lower than a year ago and 14.6% lower than the five year average. Steer slaughter during this period averaged

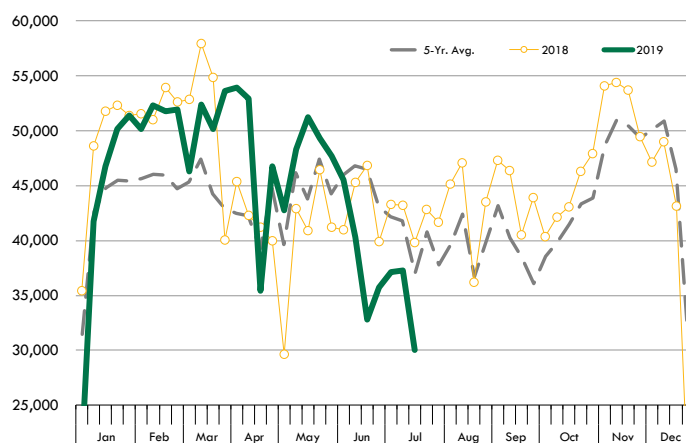
South America (continued)

23,083 head/wk, 1.4% lower than last year and 14.8% lower than the five year average. Cow slaughter averaged 15,673 head/wk, 20.9% lower than last year and 21.1% lower than the five year average.

The decline in slaughter during the second half of June did not seem to impact overall June exports but it will likely show up in July exports. Total shipments in June were 27,958 MT, 19% higher than a year ago. As was the case with Argentina, the bulk of Uruguayan beef exports went to China. Total shipments to that market in June were 19,617 MT, 49% higher than a year ago. Exports to all other markets were down. Shipments to the US in June were 3,078 MT, 5% lower than last year. However, in the first six months of the year Uruguayan beef exports to the US were 19,745 MT, 7% higher than a year ago.

Uruguay Cattle Slaughter, Total

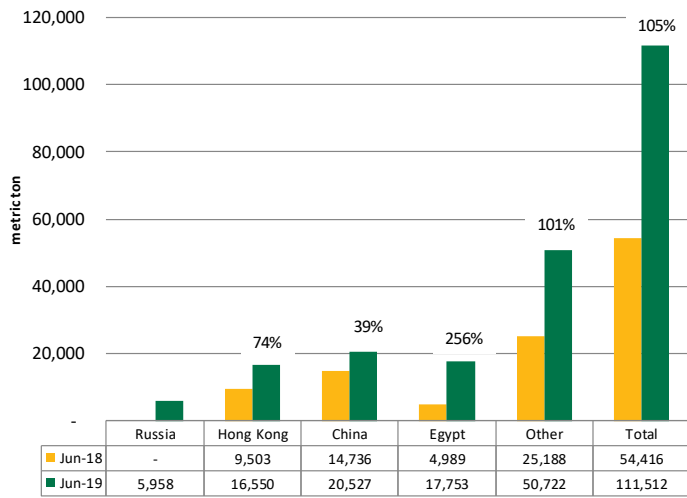
Weekly Slaughter in Head. Source: World Beef Report



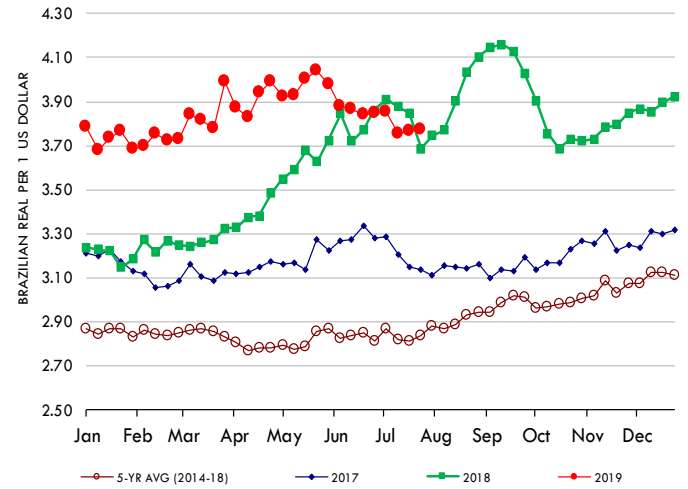
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons

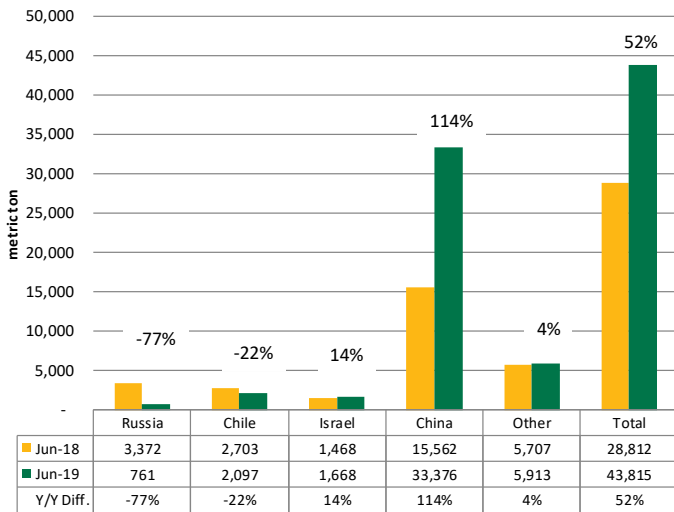


Brazilian Real Per 1 US Dollar

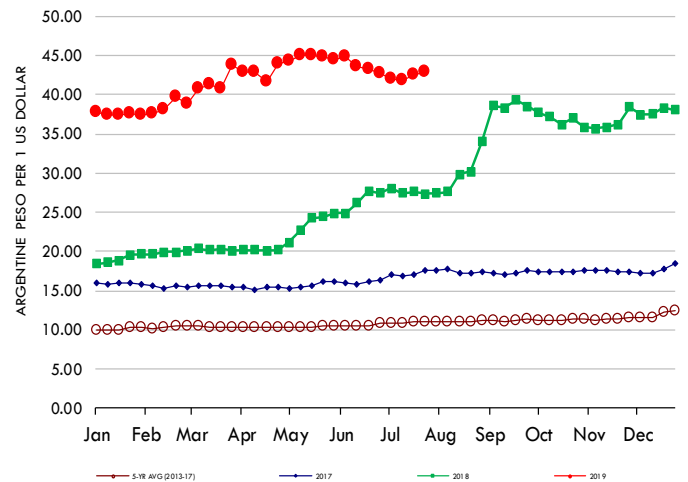


Argentina Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons

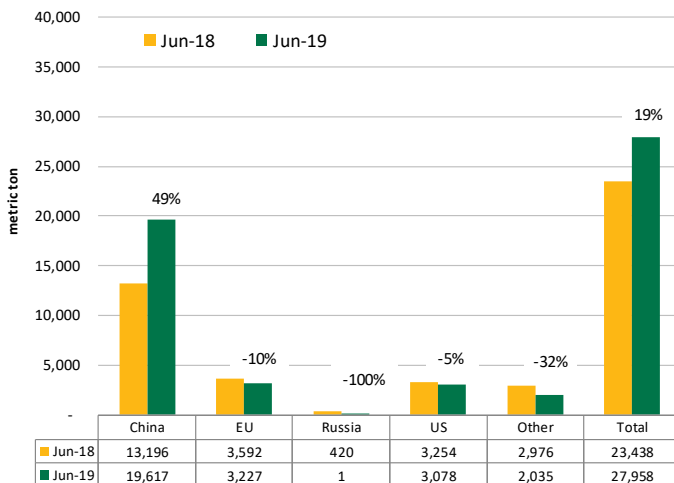


Argentine Peso Per 1 US Dollar

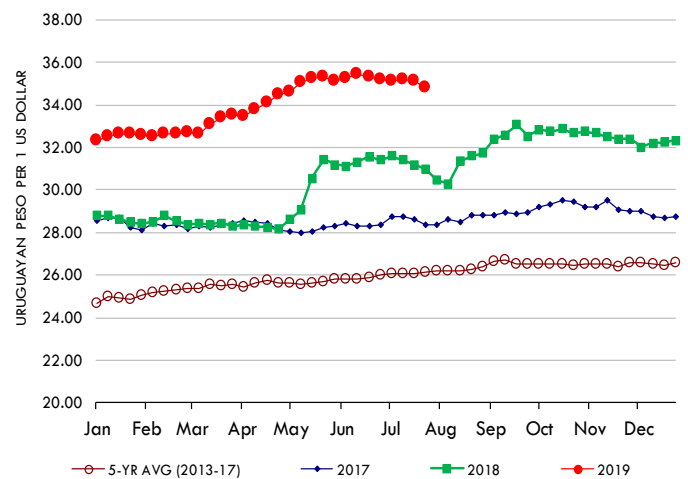


Uruguayan Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons



Uruguay Peso Per 1 US Dollar



Asia / EU Market Update

China/Japan/S. Korea: Despite the lack of government reports on the status of ASF in the country, indirect evidence suggests that the disease has resulted in a significant shortfall in meat protein supplies. Demand for pork and other proteins is expected to continue to increase. Additionally, as the government has stepped up efforts to better police import shipments, this has resulted in less product coming from gray channels, especially carabeef from India. Chinese beef imports in June were 133,744 MT, 61% higher than a year ago and the largest monthly import volume on record. Chinese buyers are active in all key world exporting markets, with the exception of the US. Higher tariffs and government edict continue to limit beef imports from the US. Argentina has been the largest supplier of imported beef to China so far this year. Chinese imports of Argentine beef in June were 32,660 MT, 135% higher than a year ago. In the first six months imports from Argentina were up 126% as the devaluation of the Peso made beef in that market especially competitive relative to Brazil. Imports from New Zealand have also increased in recent months and in June were 20,222 MT, more than double year ago levels. Our current working forecast is for China beef imports to increase by 30% in 2019 but at this point that forecast, aggressive as it appeared at the start of the year, looks to be quite low. Current China beef imports are on track to be up between 35% and 45% this year. Depending on what July data shows, we expect to revise our China import target higher in our next update.

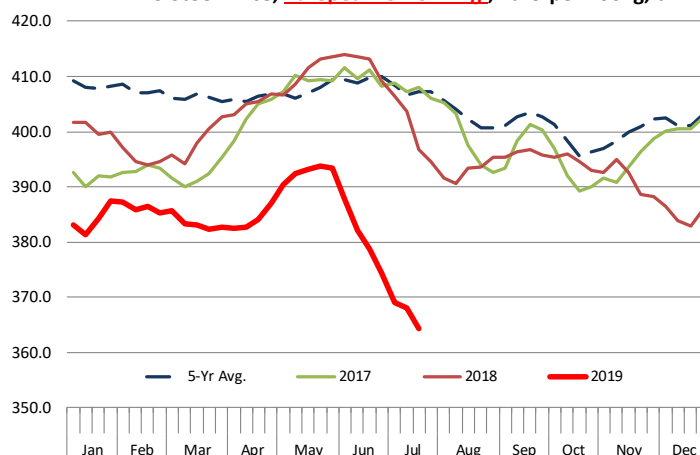
European Union: Weak prices in the UK and large slaughter have negatively impacted Irish cattle/beef prices in recent weeks. Total cattle slaughter in the four weeks ending June 16 averaged 33,894 head/wk, 4.4% higher than the previous year. Poor margins continue to drive female cattle slaughter, the biggest contributor to the increase in the number of cattle coming to market. Cow slaughter during the reference period averaged 8,312 hd/wk, 10.5% higher than a year ago while heifer slaughter at 9,431 hd/wk averaged 10.2% higher than last year. The ratio of cow/heifer slaughter vs. total slaughter has averaged over 52% in the last few weeks, a sign that producers are aggressively liquidating. In the short term this has kept the market well supplied and pressured prices lower. Uncertainty about Brexit and the potential for higher taxes for product going to the US remains a major

China Beef Imports in Jan - Jun 2019. Metric Ton.

Source: China Customs

Import Partners	6/1/2018	6/1/2019	Y/Y MT	Y/Y %	Jan - Jun 2018	Jan - Jun 2019	Y/Y MT	Y/Y %
Brazil	25,140	25,384	244	1%	133,345	149,407	16,062	12%
Uruguay	17,192	27,485	10,293	60%	109,331	141,751	32,420	30%
Argentina	13,879	32,660	18,780	135%	67,043	151,426	84,382	126%
Australia	14,998	23,211	8,212	55%	78,067	126,189	48,121	62%
New Zealand	9,734	20,222	10,488	108%	54,984	101,657	46,673	85%
Canada	554	1,401	847	153%	2,649	8,572	5,922	224%
South Africa	263	-	(263)	-100%	2,393	1,873	(520)	-22%
Costa Rica	325	708	382	118%	2,151	4,737	2,586	120%
United States	551	610	60	11%	3,826	3,515	(312)	-8%
Other	655	2,064	1,409	215%	2,624	8,682	6,058	231%
Total	83,293	133,744	50,451	61%	456,414	697,808	241,394	53%

R3 Steer Price, European Union Avg., Euro per 100kg, dw



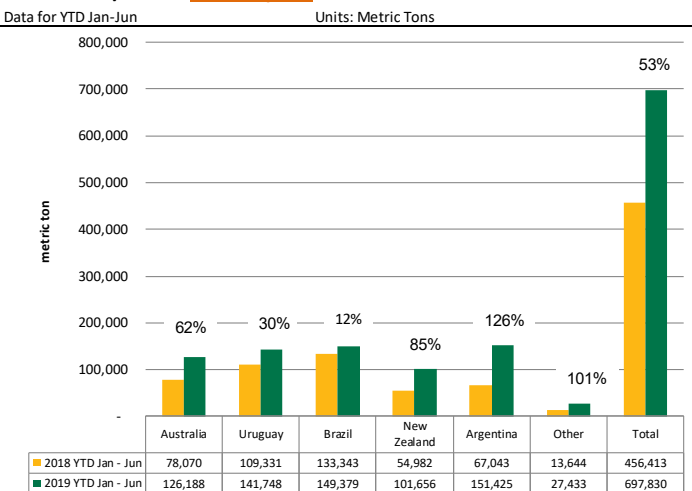
risk for Irish producers. While it is very well possible that there could be another extension in the UK-EU negotiations, the uncertainty is forcing producers to scale back as margins deteriorate.

Cow prices in Ireland rallied in April and early May, in line with the normal seasonal trend but it appears the rally has run its course. Prices are heading lower once again and at \$301 euro/100kg prices are 13% lower than a year ago. Cow prices in the UK were quoted at 295 euro per 100 kg, 11% lower than last year while the EU average cow carcass price was quoted at 296 euro per 100 kg, 4% lower than year ago levels. Steer prices are also low-

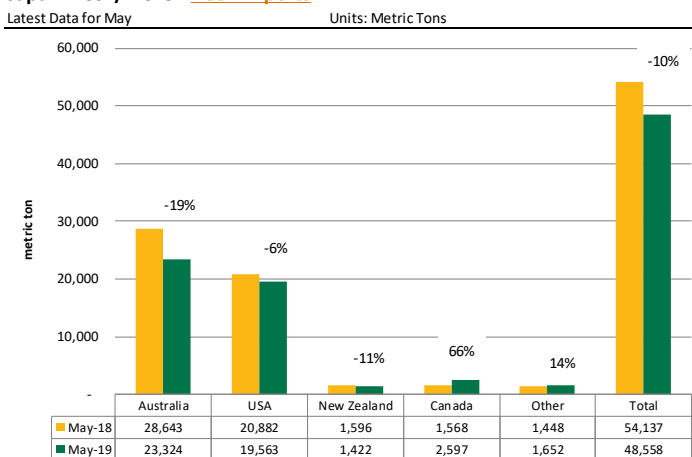
Asia / EU Trade Statistics

er. The average R3 Irish steer price for the week ending June 9 was 385 euro per 100kg, 6.7% lower than a year ago. The average EU-28 R3 steer price was quoted at 388 euro per 100kg, 6.3% lower than last year.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

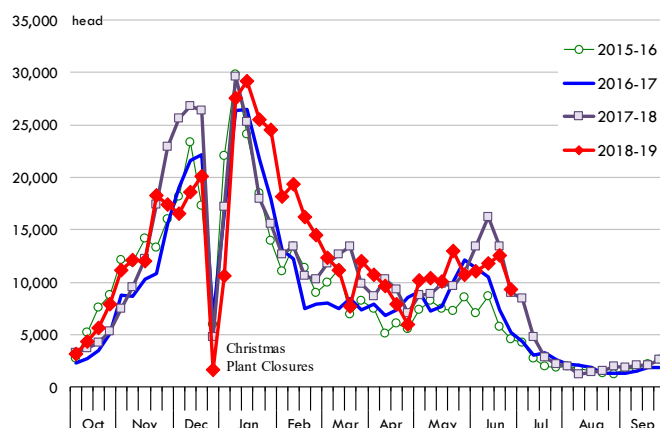
New Zealand: The seasonal decline in slaughter is underway and current slaughter should be near annual lows. The latest data available is for the week ending June 29 and it shows total slaughter was 49,635 head, 5% under year ago levels. In the four weeks ending June 29 slaughter averaged 6% under year ago levels. Despite the reduction in slaughter New Zealand packers managed to export more beef than a year ago. Total shipments for the month were 48,955 MT, 1,916 MT or 4% higher than a year ago. Exports to the US market in June were just 12,149 MT, 47% lower than the same month a year ago. In the first six months of the year New Zealand shipments to the US, once its top market, were down 26%. On the other hand, exports to China in June were 25,411 MT, 118% higher than last year. And in the last six months New Zealand shipments to China at 114,320 MT were 55,162 MT or 93% higher y/y.

Australia: Cattle slaughter in Australia has been drifting lower in the last four weeks but remains above year ago levels. Slaughter in all Eastern states for the week ending July 19 was 147,318 head, 1.5% higher than a year ago. In the last four reported weeks, slaughter has averaged 5.8% above year ago levels, however. There has been a modest improvement in rainfall but not enough to break the drought. The three month outlook for Aug-Oct suggests “a drier than average 3 months is more likely across much of New South Wales, Victoria, Queensland, the Northern Territory and parts of south-western and northern Western Australia, and northern and south-eastern South Australia.” In the short term this should continue to support slaughter at levels similar to modestly above last year. However, the result is a further draw-down in cattle inventories and more upside price risk for 2020 and 2021.

Australian beef exports are currently on track to reach 116,000 MT for the month of July. If that happens, it would be the biggest monthly export volume since July 2015. Higher slaughter, but more importantly, very strong export demand and a weak Australian dollar, likely bolstered the pace of shipments during the month. June shipments were just slightly above 100,000 MT, 1% lower than a year ago. Exports to the US market in June were 20,065 MT, 9.2% lower than a year ago. July exports are currently on track to reach 24,000 MT, 3% higher than a year ago. The key driver for the gains in Australian beef shipments so far this year has been China. Shipments to

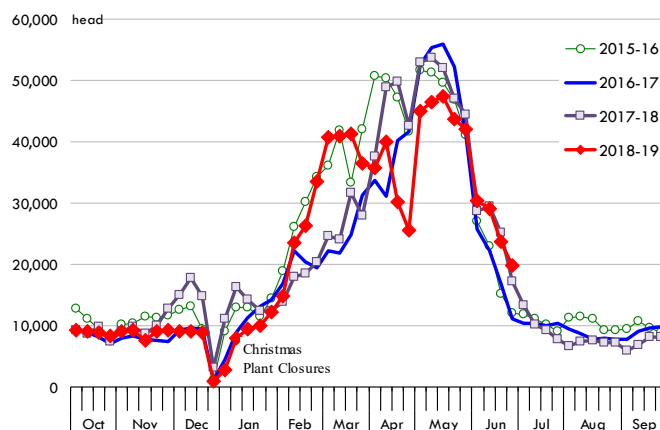
New Zealand Weekly Bull Slaughter

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



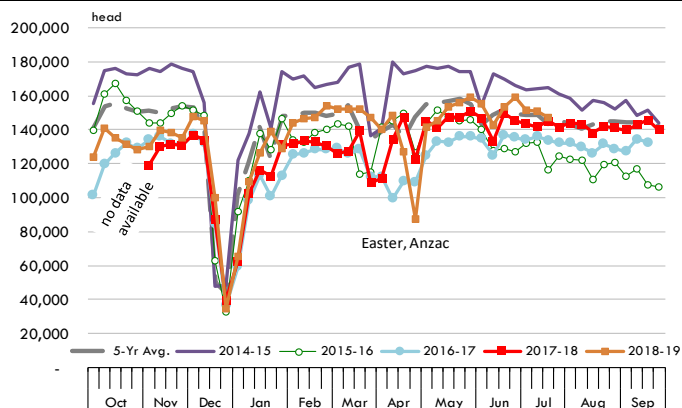
New Zealand Weekly Cow Slaughter

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



this market have increased steadily and in June were 22,603 MT, 51% higher than a year ago and the second largest market for Australian beef, behind Japan. We estimate that shipments in July are on track to be between 23,000 and 24,000 MT. In the first six months of the year

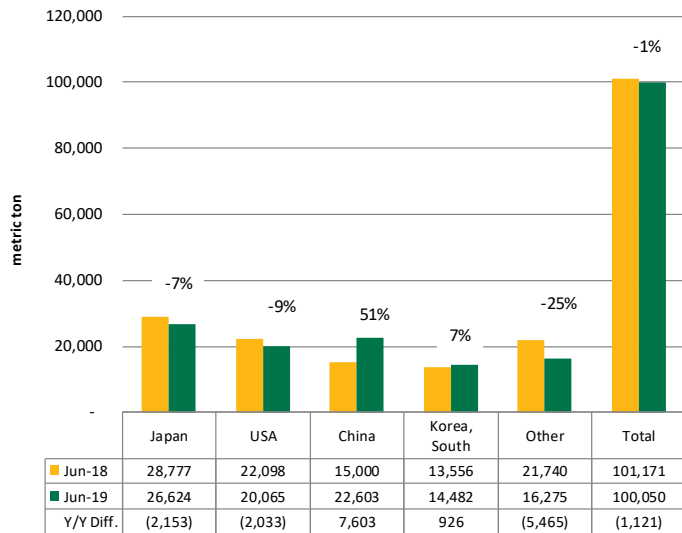
Oceania Statistics

Australian beef exports increased by 32,372 MT (+6%). Exports to China increased by 43,623 MT (+59%) and exports to the US were up 9,181 MT (+8%). Japan was down 9%.

Australia Fresh/Frozen Beef Exports

Latest Data for June

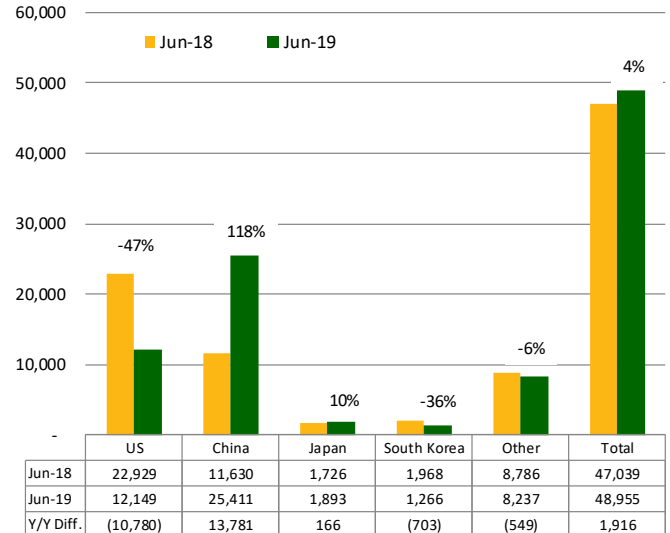
Units: Metric Tons



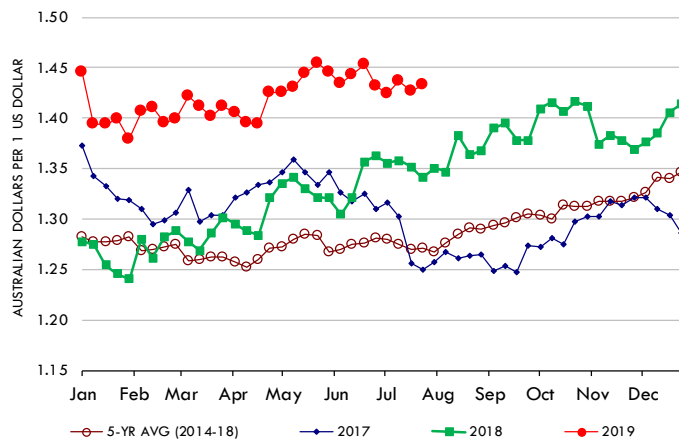
New Zealand Fresh/Frozen Beef Exports

Latest Data for June

Units: Metric Tons



AUSTRALIAN DOLLAR: 5-Yr. Avg, 2017, 2018 & 2019



NEW ZEALAND DOLLAR: 5-Yr. Average, 2017, 2018 & 2019

