

Global Beef Market Monthly Review

March 2020

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Highlights:

- China beef imports in the first two months of the year were up by more than 40% despite some of the disruptions caused by Corona virus. While we see imports in March and April slowing down, current forecast is for China imports to increase by 15% from last year's record levels.
- US beef and cattle markets have been extremely volatile, reflecting some of the shifts in consumer purchasing behavior. Foodservice demand has collapsed while retail channels are having a difficult time keeping shelves stocked. Markets also remain concerned that as more workers contract the disease, processing plants may go offline for a week or two, resulting in production cuts and higher prices for some beef items.
- Australia beef exports were lower in March as weekly slaughter declined by more than 20%. Moisture conditions improved in February and March, resulting in big jump in feeder cattle prices.
- New Zealand slaughter has reportedly slowed down in the last few weeks as plants look establish safer working spaces.
- Brazil and Argentina have recently announced a slowdown in cattle processing as well, in part due to Corona virus hit on demand but also in an effort to bolster processing margins.

Trade Update for Key Global Players

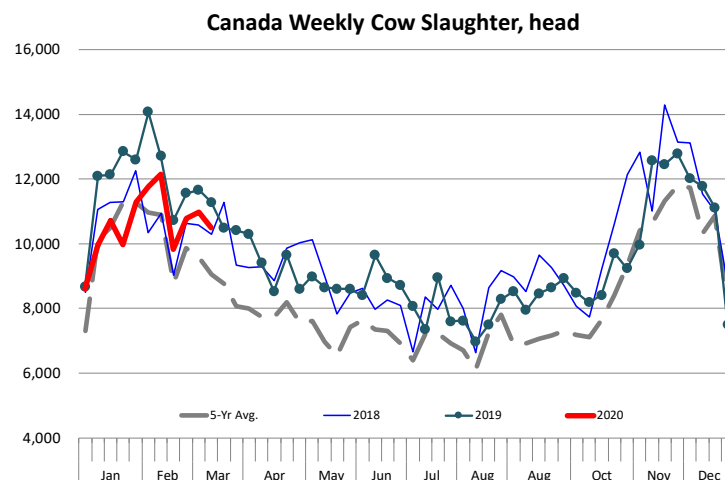
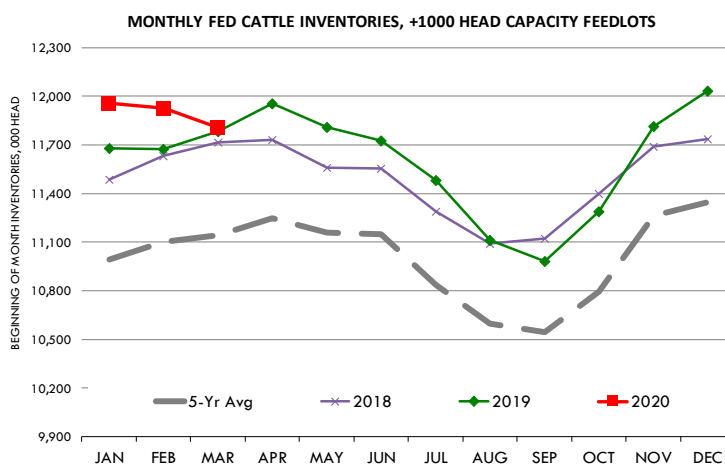
Main Global Meat Trading Countries, Both Export and Import

Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS						4,755,890	4,796,723	40,833	1%	
Australia	19%	0%	Feb 2020	92,968	-1,932	-2%	1,228,963	1,118,357	-110,607	-9%
Argentina	2%	0%	Feb 2020	33,718	1,170	4%	566,272	588,923	22,651	4%
New Zealand	7%	0%	Feb 2020	39,662	-2,924	-7%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Feb 2020	110,580	-4,877	-4%	1,535,091	1,634,872	99,781	7%
USA	11%		Jan 2020	77,910	2,615	3%	961,419	995,068	33,650	4%
IMPORTS						3,900,668	4,124,263	223,595	6%	
USA		20%	Jan 2020	79,617	-1,257	-2%	976,446	988,163	11,717	1%
China	0%	9%	Feb-20	143,554	51,914	57%	1,657,151	1,905,724	248,573	15%
Hong Kong			Jan 2020	21,737	-15,689	-42%	364,920	310,182	-54,738	-15%
Japan	0%	9%	Jan 2020	47,381	-3,192	-6%	615,381	627,689	12,308	2%
Russia	0%	8%	Jan 2020	19,886	-434	-2%	286,770	292,505	5,735	2%

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

North America Market Update

United States: The US beef market is currently in a period of adjustment, with retailers finding it extremely difficult to meet demand while foodservice business slowly degrades. It is our opinion that the contraction in foodservice demand will play out in the next two weeks. The shift in retail demand, on the other hand, has been immediate. President Trump appeared to drop all pretense on Friday, March 13 and admitted that things were indeed quite bad. This followed a dramatic decline in equity markets and was followed by consumer panic. Talk of quarantines, lockdowns, limited movement, etc. effectively communicated to consumers that they needed to bulk up reserves of food and other essential supplies. Overnight retail stores were stripped bare of essentials. This included all kinds of proteins, with beef roasts and ground beef seen as value offerings. The chart to the right is eye opening. In a matter of five days, the choice beef cutout (wholesale beef value index) jumped \$46/cwt or 22%. The gains in the value of the chuck primal (wt. avg price for clods, chuck rolls, etc) accounted for about 41% of the overall increase in the cutout while gains in the value of the round primal (insides, flats, etc) accounted for another 32%. The escalation in subprimal prices was just as dramatic. For example, the choice beef cap off inside round price on Friday, March 13 was quoted at \$349/cwt, already quite a hefty price given ongoing strong retail demand. Please note this is fed beef product sold fresh at retail as opposed to imported cap off insides that may or may not come from fed animals and that would normally go into further processing. By March 20, choice cap off inside rounds were quoted at \$440/cwt, a 26% gain. Since then prices have eased lower and they are currently at \$400. Expectations are that beef prices in the US will move lower in April given plentiful supplies in cold storage, feedlot supplies that are near the same level as a year ago and fed cattle weights running as much as 3% higher than last year. Retail items are expected to maintain premiums over year ago given the shift in demand. However, increasingly the cutout will start to be impacted by the decline in restaurant sales. Reports from the restaurant reservation company OpenTable suggest that reservations in major metro areas are down 80% to 100%. Restaurant demand accounts for a larger share of middle meat (steaks) sales in the US. Some steak cuts that are sold both at retail and foodservice appear to be performing well. On Monday, March 24, tenderloin prices were trading at a 11% discount to ribeyes. Last year,



tenderloins had an average premium to ribeyes of 28%.

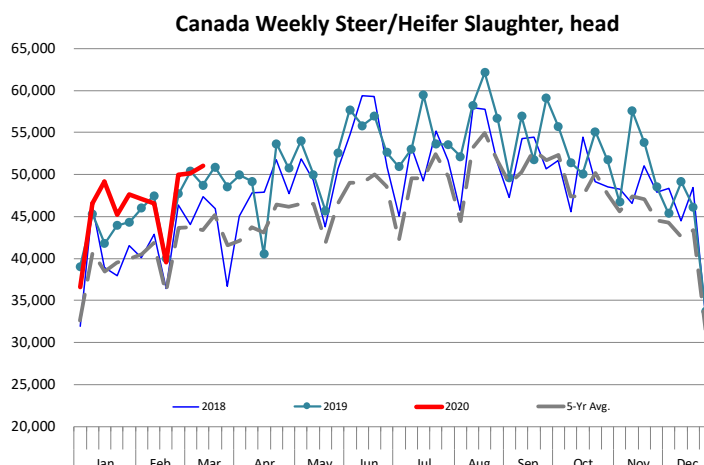
The supply of cattle on feed on March 1 was estimated to be just slightly higher than the previous year, largely due to an 8% decline in placements during February and marketings that were 5.4% higher than a year ago. The supply of market ready cattle is expected to increase in Q2. A mild winter has caused cattle to perform much better than they did a year ago. Fed cattle weights are currently 4% higher than last year. This has bolstered the supply of fat trim in the market. Eventually, weak fat trim prices and a slowdown in consumer stocking activity will help pull cutout values lower. A spike in unemployment, which is likely, will further pressure beef demand in the second half of the year, hence the weak futures.

North America (continued)

Canada: Canadian fed cattle slaughter has been running above year ago levels so far this year and that is expected to continue in Q2. The total supply of cattle on feed in Alberta and Saskatchewan feedlots on March 1 was estimated at 1.076 million head, 9% higher than a year ago. Higher placements in the last quarter of 2019 have bolstered the supply of cattle on feed. The pace of placements has slowed down, however, and we expect to see fed cattle slaughter in Q3 dip below year ago levels. February placements were 33,745 head, 18% lower than the previous year. This followed a 7% decline in January placements. Extremely weak fed cattle futures prices have significantly impacted feeder cattle values, resulting in a sharp contraction in feeder cattle sales both in US and Canada. We do not have access to feeder cattle sales data in Canada but in the US sales in March were down almost 50% from a year ago. We expect to see Canada placements in March down about 20%.

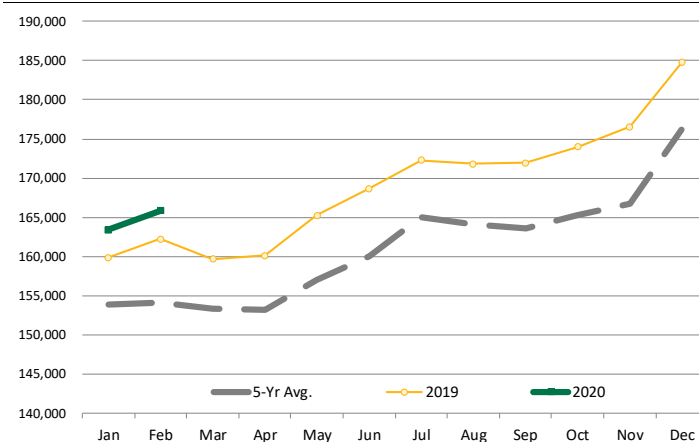
Canadian imports through the end of March were 39,153 MT, 5.6% lower than a year ago. Imports from the US accounted for 69% of the total and were up 7.6%. However, imports from New Zealand at just 2,711 MT were 43.3% lower than a year ago and imports from Australia at 1,966 MT were 54.1% lower. Uruguay has also significantly limited shipments to Canada in recent years. In the first three months imports from Uruguay were 1,946 MT, 52.5% lower. Mexico, Central America and other markets have replaced some of the decline in Oceania sales. Imports from these markets account for a larger volume than Oceania.

Mexico: Mexican beef production continues to increase at a fairly steady pace. Indeed, given the lack of variation in the data, it appears to us that some of this information is implied from statistical models. For instance, average monthly beef production in 2019 increased by 2.28% compared to the previous year. The range of variation in the monthly y/y change was from 2.01% in January 2019 to 2.46% in July 2019. In the first two months of this year beef production in Mexico has increased by 2.22% and 2.23%, respectively. The official data pegged total production for February at 165,855 MT, 2.2.% higher than a year 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



Mexico Beef Production

Source: SAGARPA

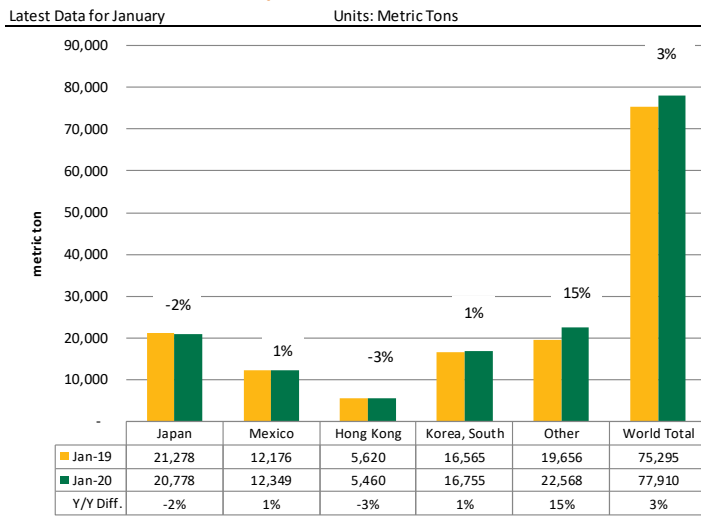


2020, resulting in record shipments.

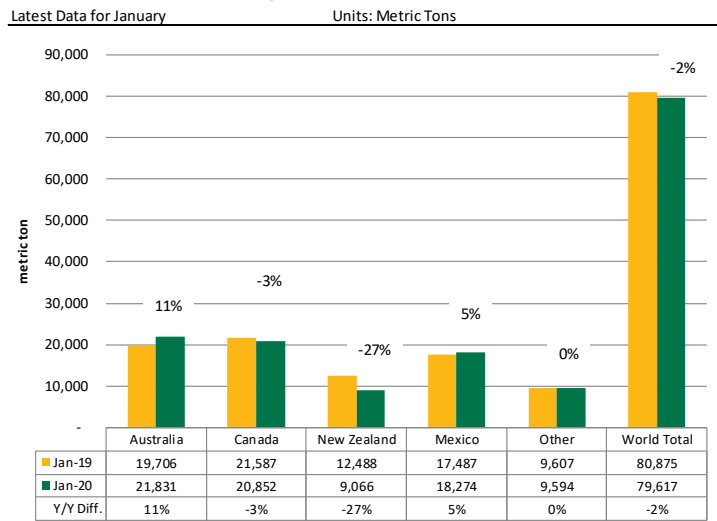
The Mexican Peso has declined sharply in the last month following the sharp deterioration in US economic conditions and the potential impact this could have both on Mexico exports to the US as well as remittances from Mexican workers in the US. Mexico is also a major oil exporting country and the sharp decline in oil prices is expected to significantly impact the ability of the state owned oil company to service its debts. S&P recently downgraded Mexican debt and the outlook for the Mexican economy was seen as “negative”. Further downgrades are expected. The sharp depreciation of the Peso, down about 24% in the last four weeks, has negatively impacted US exports of beef and other proteins to Mexico. On the other hand, US imports of Mexican beef are up 5.6% so far this year. At this time Mexico is the second largest supplier of imported beef to the US.

North America Trade Statistics

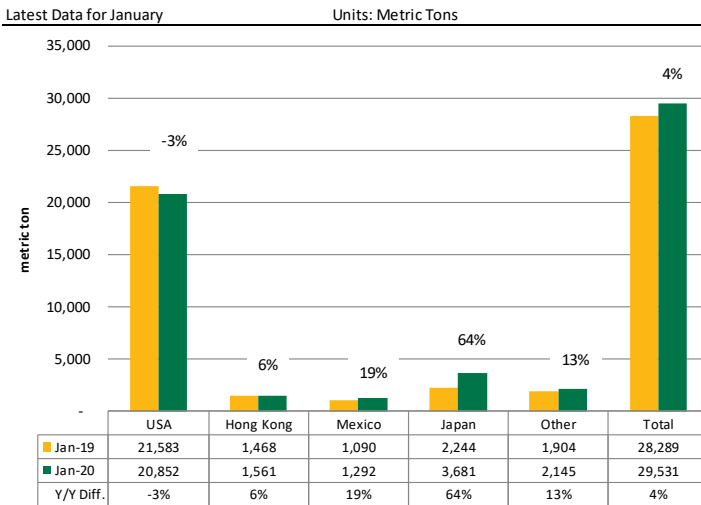
USA Fresh/Frozen Beef Exports



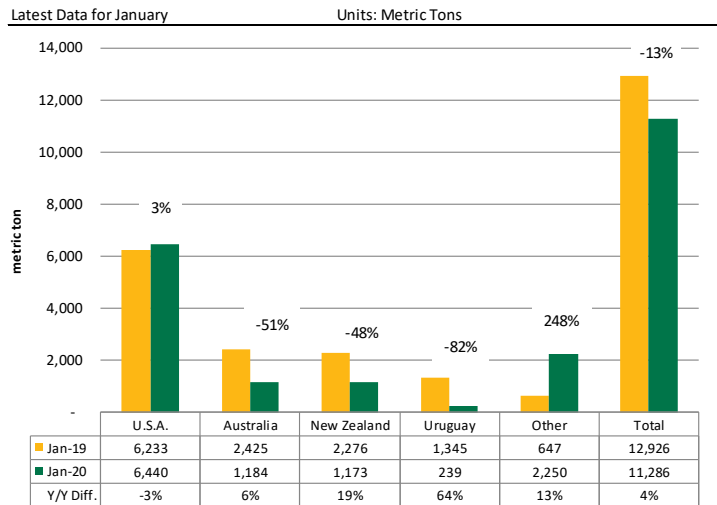
USA Fresh/Frozen Beef Imports



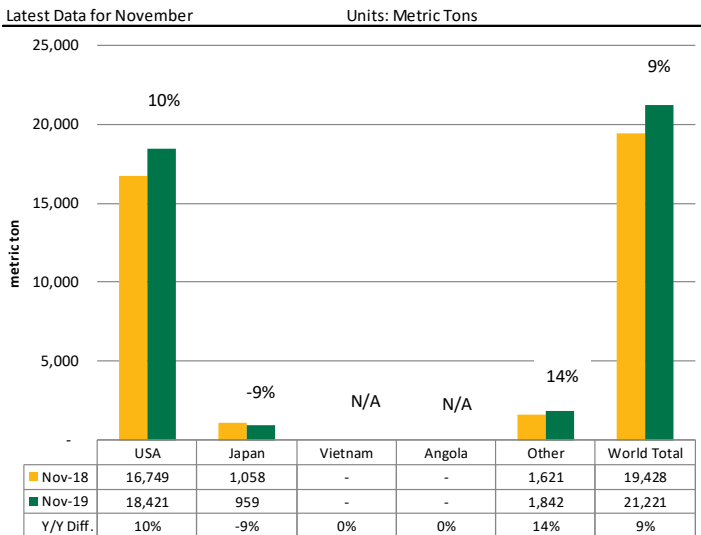
Canada Fresh/Frozen Beef Exports



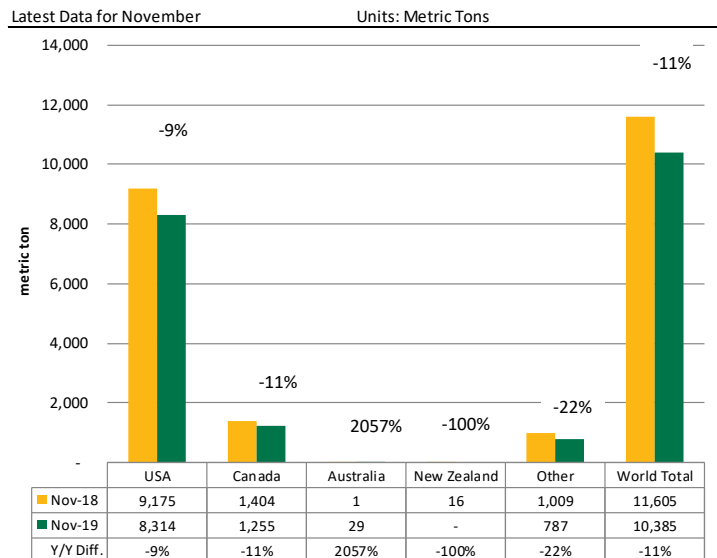
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

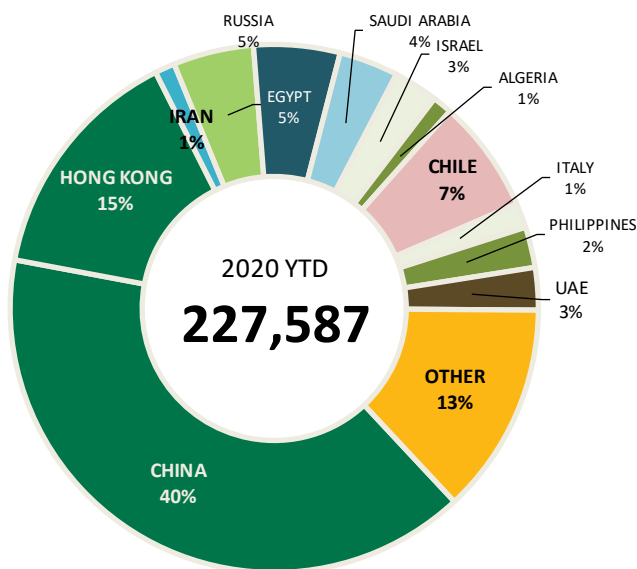
Brazil: Brazilian beef exports were modestly lower in February despite continued strong demand and shipments to its top market - China. Total exports of fresh beef in February were 110,580 MT, 4,877 MT or 4% lower than a year ago. Exports to China in February accounted for a little over a third of all exports and increased 45% compared to year ago levels. In the first two months of the year Brazilian beef exports to China were a total of 90,801 MT, 41,406 MT or 84% higher than last year.

The spread of Corona virus around the world is expected to disrupt Brazilian beef exports despite the strong demand in China and Russia earlier in the year. In the near term the world economy is headed for a recession but it is still unclear how deep and how long the contraction will be. Brazilian exporters have benefited from the decline in the value of the Brazilian real, making beef exports far more competitive than US beef. However, the main challenge going forward will be demand, especially in developing markets that may be hit especially hard by the economic downturn. Also, in the near term packers and exporters are encountering significant logistical disruptions. While China port backlogs have slowly recovered, some other ports in Asia have become clogged with refrigerated containers. This could continue to slow down trade to some of the smaller markets as well. The Brazilian real has lost 25% of its value since the start of the year, trading at over 5 Real per 1 USD. Unwinding of trades in risky assets and collapse in commodity prices have negatively impacted exporting country currencies as well as those of emerging markets.

Argentina: The expected slowdown in exports to China significantly impacted Argentine beef exports in February. However, some of the shortfall in China demand was offset by gains in exports to a number of smaller markets as well as to Russia, which in the past used to be a big buyer of Argentine beef. February fresh beef exports were 33,718 MT, 1,170 MT or 4% higher than a year ago. While still higher than a year ago, exports were about half of the volume that was exported in Q4 of 2019. Exports to China in February were 19,215 MT, 12% lower than a year ago. This was the first y/y decline in exports to China since October 2016. Exports to Russia in February were 2,366 MT, double year ago levels. Exports to Russia remain inconsistent, with January shipments only 887 MT. It remains to be seen whether Russia will step up its beef purchases from Argentina as China demand is expected to

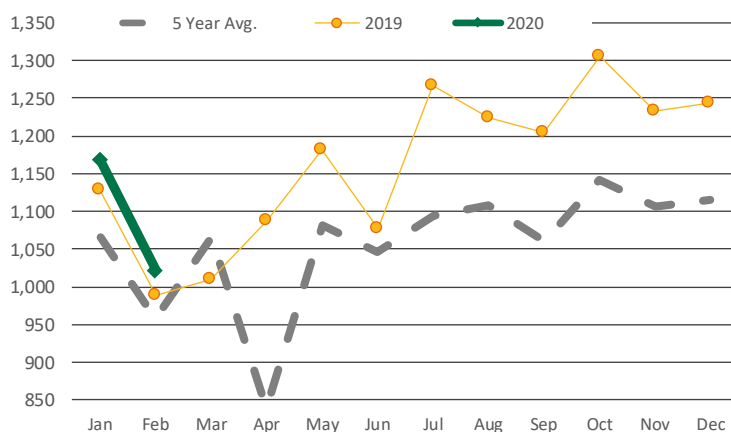
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Feb 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



slowly recover and the collapse in oil prices negatively impacts Russian purchasing power. Exports to Chile in February were 3,525 MT, 72% higher than a year ago. Argentine cattle slaughter in February was estimated at 1.021 million head, 3.2% higher than a year ago.

Uruguay: Slaughter continues to run below year ago levels and rules put in place to limit the spread of Corona virus are likely to reduce the pace of slaughter in Q2. This has involve a slowdown in line speeds and a minimum distance between workers in lines. There is speculation that if/when workers in plants are found to be positive with COVID 19, plants might be idled for a period of 15 days in order to quarantine all workers. While seem-

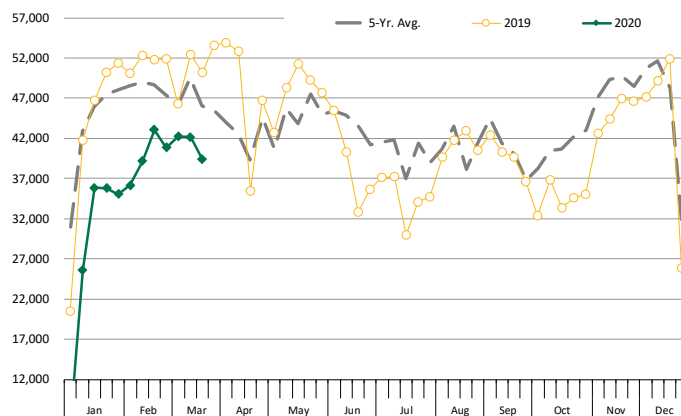
South America (continued)

ingly extreme, there is precedent as Olymel in Canada already has idled a major hog slaughter plant precisely due to this. In the four weeks ending March 21, Uruguayan weekly slaughter averaged 36,558 head/wk, 28% lower than a year ago and 24% lower than the five year average. Cow slaughter in the last four weeks has averaged 35% below year ago and 39% below the five year average.

The decline in slaughter has limited the supply of beef going into export channels. That will continue to be the case going forward although we expect more product to once again move to China. Fresh beef exports in February were 23,233 MT, 26% lower than a year ago. Exports to China were 10,636 MT, down 46% from last year while shipments to the US at 2,374 MT were 29% lower than a year ago.

Uruguay Cattle Slaughter, Total

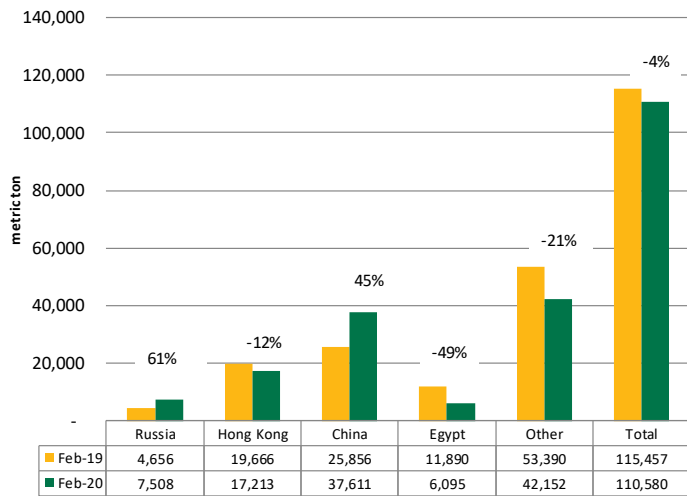
Weekly Slaughter in Head. Source: World Beef Report



South America Trade Statistics

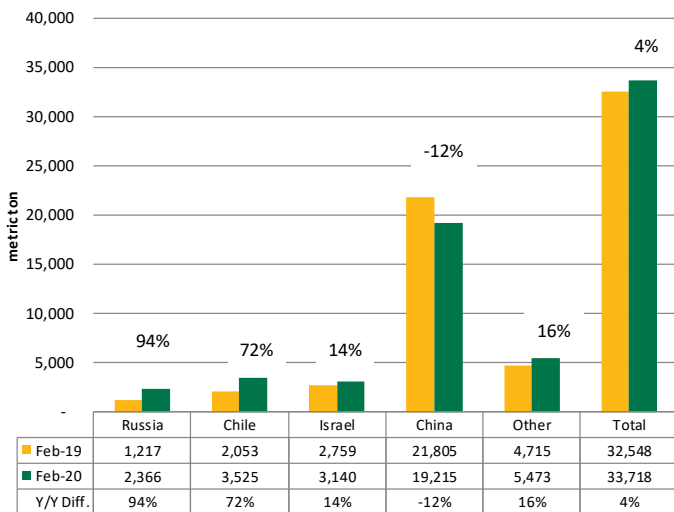
Brazil Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons



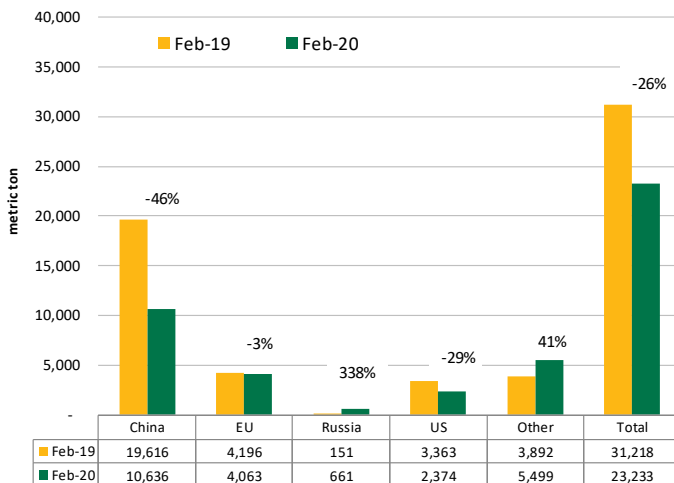
Argentina Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons

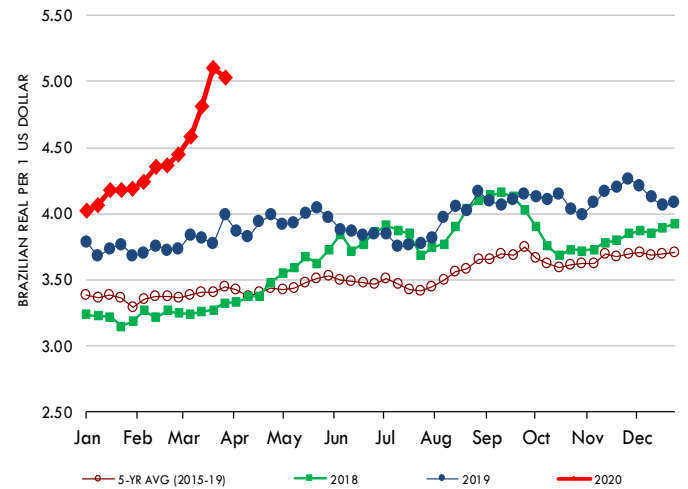


Uruguayan Fresh/Frozen Beef Exports

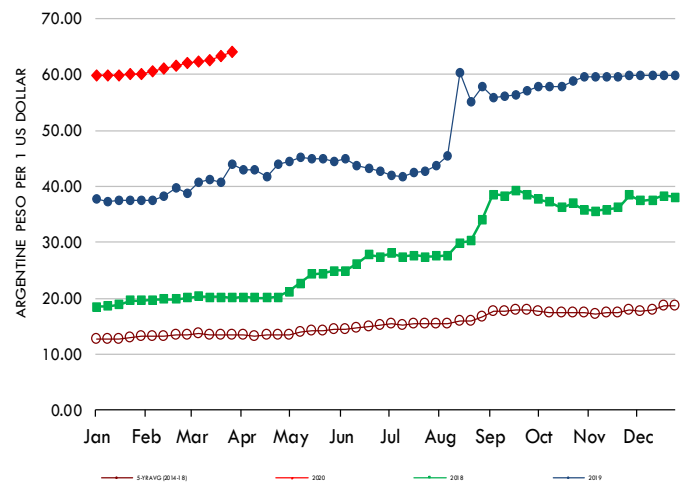
Latest Data is for Feb 2020 Units: Metric Tons



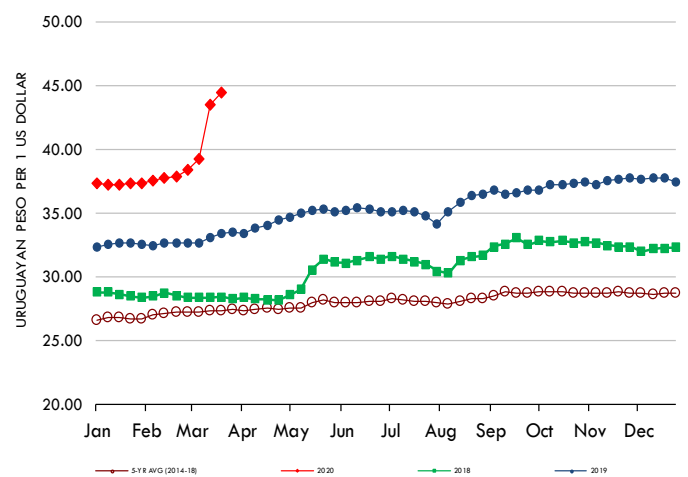
Brazilian Real Per 1 US Dollar



Argentine Peso Per 1 US Dollar



Uruguay Peso Per 1 US Dollar

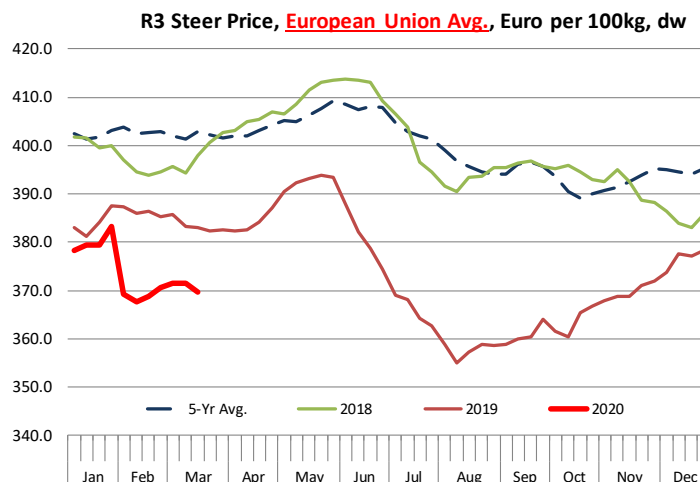


Asia / EU Market Update

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 trade data was delayed to the restrictions put in place following the spread of Corona virus. While no import data were released for January, Chinese officials released a combined import total for Jan-Feb period. A summary of beef imports from key supplying countries is included in the attached table. It is interesting to note that imports from Brazil and Argentina continued to gain ground, likely due to the favor-



China Beef Imports in Jan - February 2020. Metric Ton.

Source: China Customs

Import Partners	2/1/2019	2/1/2020	Y/Y MT	Y/Y %	Jan - Feb 2019	Jan - Feb 2020	Y/Y MT	Y/Y %
Brazil	24,638	46,277	21,639	88%	50,330	95,745	45,415	90%
Uruguay	18,970	16,008	(2,962)	-16%	46,112	33,120	(12,992)	-28%
Argentina	21,792	31,480	9,688	44%	46,697	65,131	18,434	39%
Australia	13,403	27,808	14,406	107%	32,501	57,535	25,033	77%
New Zealand	9,701	13,691	3,990	41%	25,402	28,327	2,925	12%
Canada	1,071	364	(708)	-66%	2,494	752	(1,742)	-70%
South Africa	383	733	350	91%	1,849	1,517	(332)	-18%
Costa Rica	374	882	507	135%	1,233	1,824	591	48%
United States	656	848	191	29%	1,429	1,754	324	23%
Other	651	5,463	4,812	739%	1,913	11,303	9,390	491%
Total	91,640	143,554	51,914	57%	209,961	297,008	87,047	41%

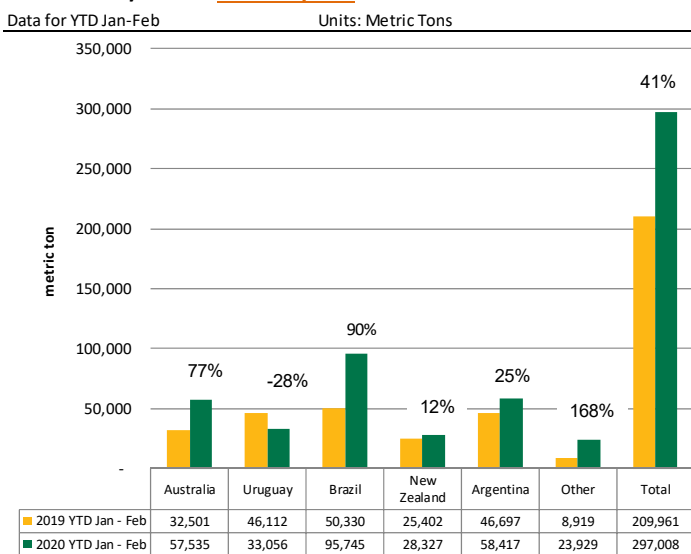
able exchange rate and lower cattle/beef prices in the country. Imports from Uruguay, however, were down, reflecting the decline in slaughter and limited availability. Total imports in the first two months of the year were 41% higher than the previous year but still below the record levels we saw in Q4 of 2019. There is a lot of speculation about China beef demand in the second half of 2020. As the table on page 1 shows, our current working forecast is for Chinese beef imports to increase by 15% in 2020, a far slower growth pace than what we saw in 2019. We expect imports to continue to expand as beef prices in China remain very high and the potential for do-

Asia / EU Trade Statistics

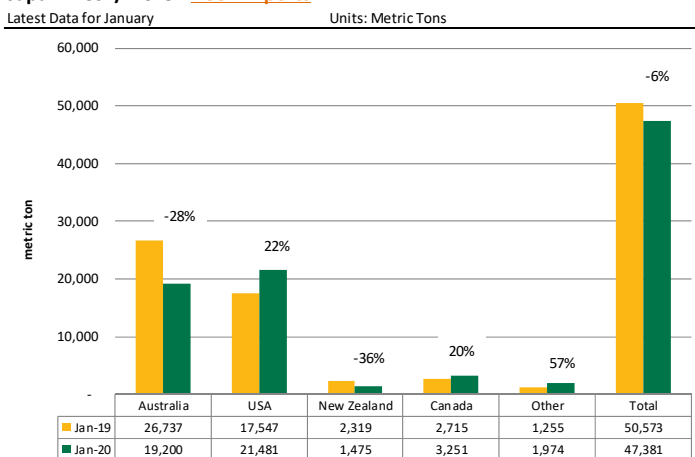
mestic supply growth is extremely limited. Pork supplies in China are expected to recover somewhat this year but they are still expected to be as much as 20% below pre-ASF levels. The downside risk to our forecast is that China is not able to maintain its current control over the spread of Corona virus. Also, foodservice demand in China still is substantially below pre-outbreak levels, putting a lid on overall demand. Still, we see supply growth in South America and weak currencies there as a driver for exports to the Chinese market, especially in the second half of the year.

Japan imports trade data is reported with a delay. January imports were 6% lower than the previous year, with imports from Australia down 28% and imports from New Zealand down 36%. Japan normalized its tariff regime with the US and there is currently no differential tariff for US beef. As a result, we have seen more demand shift towards the US. Imports from the US in January were 22% higher than a year ago. Interestingly, imports from Canada have continued to expand. We thought that the main reason for the shortfall in US beef imports in 2019 is because Canada was grabbing a larger share. Prices for chucks have been extremely high in the US market recently, likely resulting more demand shifting to Australia. However, we expect to see more short plates and tongues going to Japan as prices for these items in the US market are extremely weak at this time.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

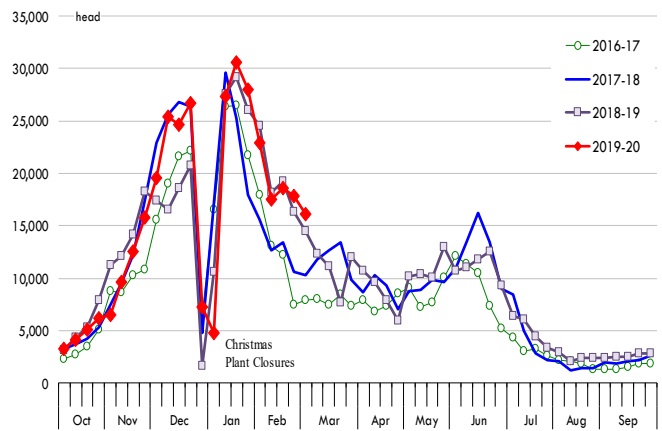
New Zealand: New Zealand cattle slaughter was lower than a year ago in February even as both bull and cow slaughter numbers continued to trend higher. In the four weeks ending February 29 total cattle slaughter averaged 64,885 head/wk, 2% lower than the same period a year ago but 9% higher than the five year average. Bull slaughter during this period averaged 17,539 head/wk, 3% higher than last year while cow slaughter at 25,700 head/wk was 5% higher. Dry conditions pushed more cows to market in February and March conditions have been relatively dry as well, especially in the North Island. However, New Zealand has imposed a national lockdown to slow down the spread of Corona virus and this will limit the ability of farmers to send cattle to market. Distancing rules also mean a slowdown in processing cattle

Australia: Improving moisture conditions and increasingly stringent restrictions to control the spread of Corona virus have resulted in a sharp decline in Australian cattle slaughter. For the week ending March 20 total slaughter was down 21% from the previous year. For almost the entire month of March, slaughter has averaged 24% lower than a year ago. Slaughter in Queensland for the latest reported week was down as much as 34%. The decline in slaughter started at the beginning of February and it has continued as we write. The result has been a steady decline in Australian beef exports. Domestic beef demand in Australia has also been exceptional as consumers, similar to other parts of the world, have sought to stock up ahead of Coronavirus lockdowns. Pictures of empty meat cases in Australian supermarkets are no different than those in Boston, Los Angeles or Chicago.

February Australian beef exports were 92,968 MT, 2% lower than a year ago. We currently expect March exports to be around 97,000 MT, 5.3% lower than the previous year. Exports to the US market in February were 19,485 MT, 2% lower than the previous year. However, it appears March shipments have declined sharply as the slowdown in US foodservice and better demand in Asia has once again impacted product flows. Shipments to the US market in March are on track to be 17,500 MT, 28% lower than a year ago. Exports to China in February were 16,732 MT, 12% lower than a year ago. Supply disruptions significantly impacted China demand in February. The situation is slowly improving and we expect March shipments to this market to reach 23,000 MT, 12% higher than a year ago. Exports to Japan in February

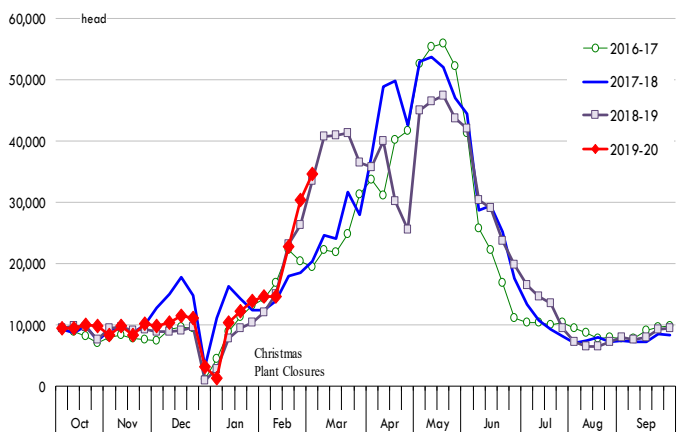
New Zealand Weekly Bull Slaughter

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



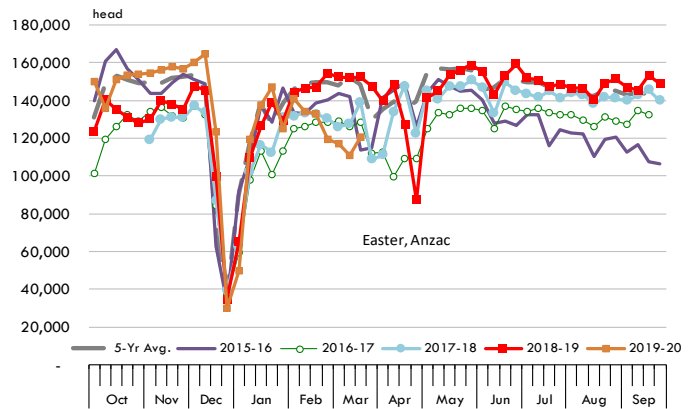
New Zealand Weekly Cow Slaughter

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



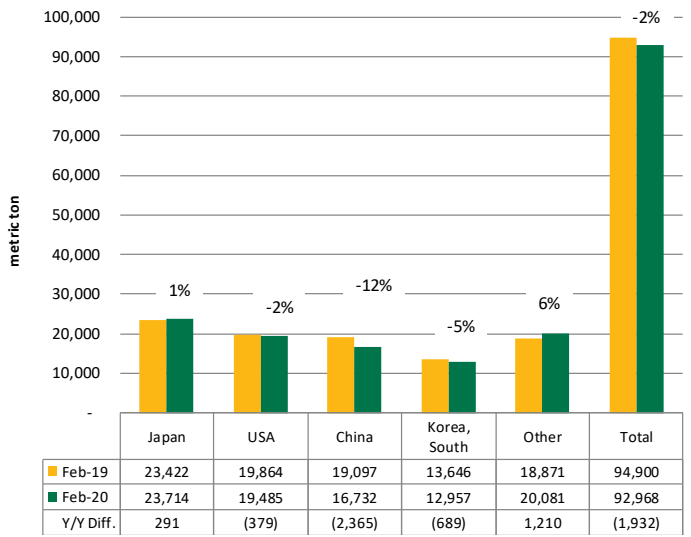
were 23,714 MT, 1.2% higher than a year ago while exports to S. Korea last month were 9,969 MT, 1.3% higher than a year ago. March shipments to Japan are on track

Oceania Statistics

to surpass 28,000 MT., 21% higher than a year ago. Exports to S. Korea are also expected to rebound from February levels but at a little over 14,000 MT exports to S. Korea will also be down 5.5% y/y.

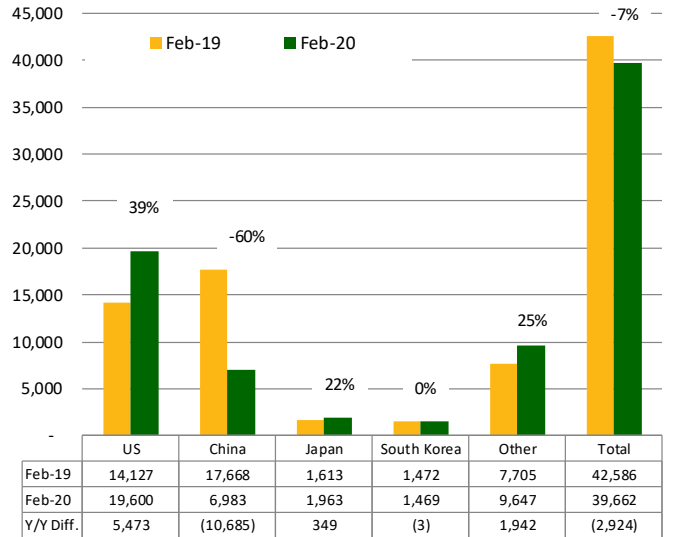
Australia Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons



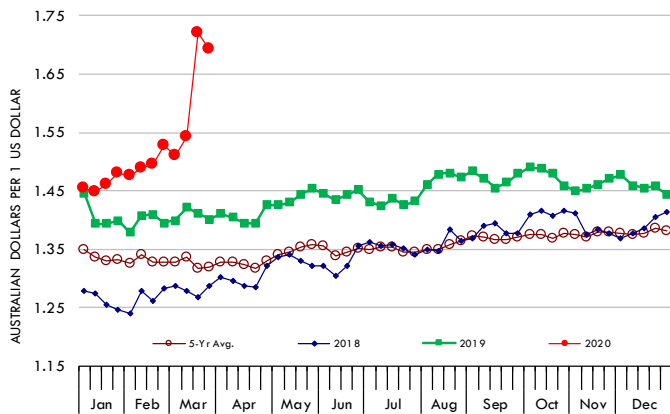
New Zealand Fresh/Frozen Beef Exports

Latest Data for February 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

