



# Global Beef Market Monthly Review

## November 2019

November 30, 2019

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### Highlights:

- China demand has been a factor for much of this year but activity levels exploded in October and November, resulting in a sharp increase in price across most markets.
- Brazil sales to China have been rather muted this year but that changed in October following the quick approval of many plants. As a result, exports of Brazilian beef to China more than doubled in October and prices in the local market jumped by as much as 40% from the previous month.
- New Zealand beef exports are currently tracking far higher than earlier expected, in part due to strong demand in export markets. In October, China took almost 60% of all New Zealand beef exports while US share declined to just 13%.
- US beef exports in September were down and current projections are for October exports to be lower as well. We have lowered our projections for US beef exports for all of 2019. Lower imports from New Zealand have limited lean grinding beef supplies but overall US beef imports remain up due to higher supplies from Mexico and Canada.
- Drought continues to fuel Australian slaughter, which in the last few weeks has been running about 15% higher than a year ago. Even with these slaughter levels Australian shipments to traditional markets are down while exports to China have more than doubled.

### Trade Update for Key Global Players

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

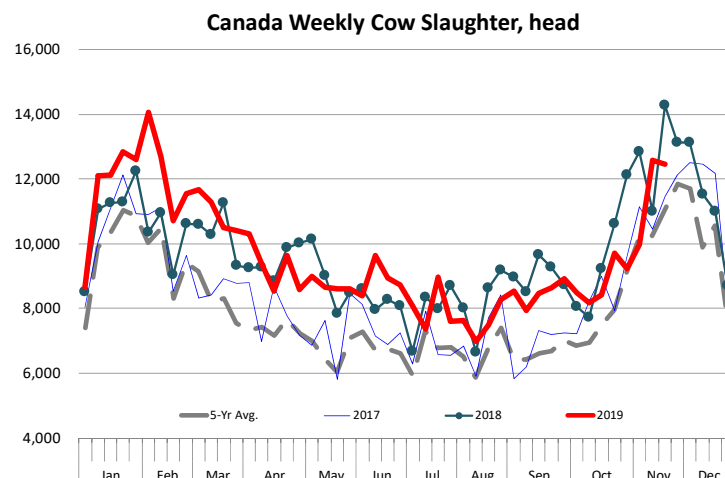
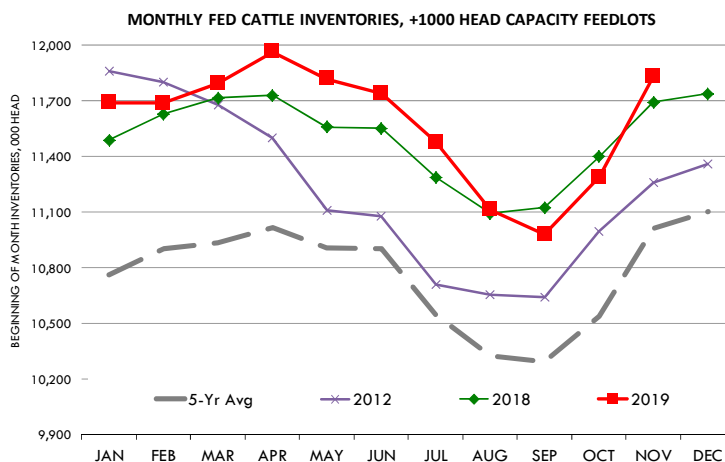
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2018 Estimate	2019 Estimate	Y/Y Ch.	Y/Y % ch.	
<b>EXPORTS</b>										
Australia	19%	0%	Nov 2019	103,782	8,312	9%	1,125,653	1,204,449	78,796	7%
Argentina	2%	0%	Oct 2019	65,037	25,932	66%	368,577	552,865	184,288	50%
New Zealand	7%	0%	Oct 2019	25,677	5,405	27%	436,863	463,075	26,212	6%
Brazil	18%	1%	Oct 2019	160,099	24,158	18%	1,353,290	1,488,619	135,329	10%
USA	11%		Sep 2019	80,927	-1,899	-2%	1,007,761	977,528	-30,233	-3%
<b>IMPORTS</b>										
USA		20%	Sep 2019	74,983	-700	-1%	963,234	972,867	9,632	1%
China	0%	9%	Sep 2019	151,339	51,587	52%	1,039,389	1,631,841	592,452	57%
Hong Kong			Sep 2019	25,575	-6,489	-20%	435,056	369,798	-65,258	-15%
Japan	0%	9%	Sep 2019	50,525	-2,012	-4%	607,716	616,832	9,116	2%
Russia	0%	8%	Aug 2019	25,015	-1,392	-5%	314,220	304,793	-9,427	-3%

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

## North America Market Update

**United States:** US cattle on feed supplies have once again climbed above year ago levels. However, a smaller calf crop in 2019 implies on feed numbers in 2020 will track close, and sometimes below, 2019 levels. On November 1 the total inventory of cattle in feedlots with +1000 head capacity was 11.831 million head, 1.2% higher than a year ago and just 0.1% lower than what analysts were expecting. The big increase in placements during October and lower marketing rate caused the inventory to increase rapidly. The lower than normal marketing rate in September and October has resulted in larger front end supplies. On November 1, we estimate the inventory of +150 day cattle was 2.112million head, 9.9% higher than a year ago. The inventory of +120 day cattle was 3.912 million head, 2.3% higher than last year. Higher front end supplies and large placements of heavy cattle may limit the upside for cattle prices this winter.

There is always a fair amount of debate on placement numbers, reflected in the wide range of pre-report estimates. The USDA survey number was below analyst estimates but not large enough to impact the market. USDA reported that feedlots placed 2.477 million head of cattle on feed last month, 10.2% more than the previous year. Analysts, on average, were looking for a 12.2% increase. The y/y increase of 229,000 head is consistent with the large number of +600 lb. cattle that were sold in the country during October. This was the largest October placement number since 2010. But the increase in placements should be seen in the context of lower placements in late summer and early fall and the overall increase in the supply of cattle outside feedlots on October 1. In the previous three months (Jul/Aug/Sep), feedlots placed 181,000 fewer cattle on feed than the same period a year ago. Placement numbers continued to skew heavy, understandable as cow-calf operators have been incentivized (and able) to add as many pounds as possible outside feedlots. Placements of cattle between 800-899 pounds were 475,000 head, 112,000 head or 31% more than the same period a year ago. Placements of cattle between 900 and 999 pounds were 230,000 head, up 50,000 head or 28% higher than a year ago. By comparison, placements of light calves at 600,000 head were 40,000 head or 6% lower than last year. These placements may be construed as somewhat bearish for the February contract relative to April and especially for February relative to June.



According to USDA feedlots marketed 1.875 million head of cattle in October, 0.6% less than a year ago. Analysts were expecting a 0.4% decline in marketings for the month, consistent with the number of fed cattle that were slaughtered in October. We see the difference between expectations and actual survey results as immaterial. The feedlot turnover rate (ratio of marketings vs. inventory of +90 day cattle) was 32.4%, compared to 33% a year ago and 33.3% for the five year average. While packers have managed to maintain the slaughter pace near year ago levels, the temporary closure of the Tyson plant in Kansas continues to negatively impact the marketing pace. This is also reflected in packer margins, which are currently near the highs we saw back in September. The plant is now scheduled to open in early December, which should help ease the crunch and help the marketing rate in December.

## North America (continued)

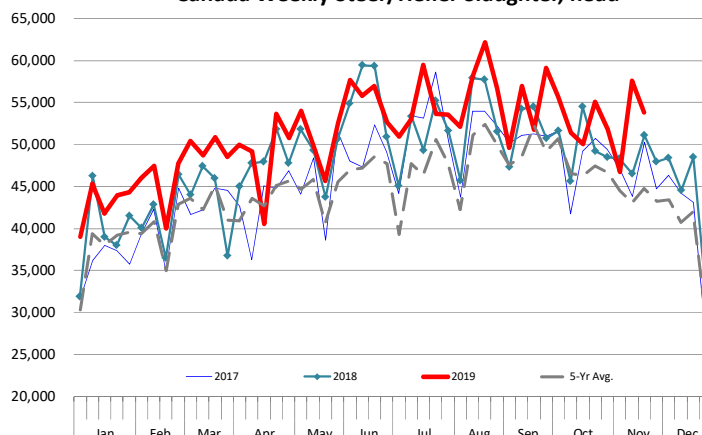
**Canada:** Canadian cattle slaughter continues to run above year ago levels, a function of higher on feed numbers during spring and summer as well as strong demand in export markets. According to CanFax, the total supply of cattle on feed in Alberta and Saskatchewan as of November 1 was 942,300 head, 2% higher than a year ago. Feedlots in the region have ramped up placements in the last two months following a relatively low placement rate during the summer months. Feedlots placed 422,777 head of cattle on feed in October, 21% more than the same period a year ago. September placements were also 19% higher than in 2018. Different from a year ago, we have seen a slowdown in the number of heifers placed on feed. In the last three months heifer placements were a total of 280,318 head, 3% lower than a year ago. Steer placements during this period were a total of 464,117 head, 13% higher than last year.

Fed cattle slaughter continues to run above year ago levels while cow slaughter has declined. In the four weeks ending November 23, total steer/heifer slaughter in Canada averaged 52,465 head/wk, 7.9% higher than a year ago and 5.6% higher than the five year average. YTD fed cattle slaughter in Canada is 6% higher than last year and 15% higher than the five year average. Non fed slaughter during the reference period averaged 11,058 head/wk, 12% lower than a year ago but still about 8.6% higher than the five year average.

**Mexico:** Mexican beef production has been increasing at an average rate of 2.3% so far this year. October beef production in Mexico was estimated at 173,966 MT, 1.2% higher than the previous month and 2.8% higher than the same period a year ago. Beef production was up in October even as supplies from major beef producing states, such as Jalisco and Veracruz, were less than expected. Jalisco beef production in October was 20,247 MT, 0.4% lower than a year ago. Production in Veracruz was 22,798 MT, 1.3% higher than the previous year.

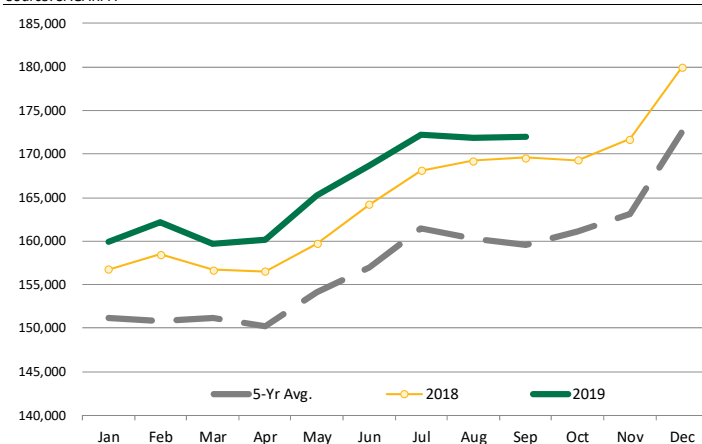
The steady gains in production and a weak Peso have contributed to a significant increase in Mexican beef exports. The latest data is for September and shows total exports of fresh and frozen beef were 19,938 MT, 14% higher than the previous year. Year to date Mexican beef exports were 189,166 MT, 15% higher than a year ago. The US market remains the top export destination for Mexican beef. Shipments to the US In September were

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA



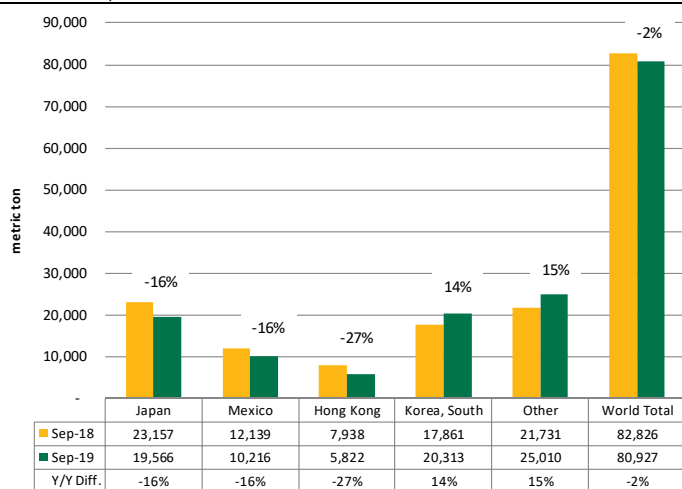
17,466 MT, 14% higher than last year. Japan is the second largest destination with 915 MT and exports to other markets are minimal at this time. Beef imports in September were 10,987 MT, 1% lower than last year. Imports from the US were 8,783 MT, 5% lower than last year while imports from Canada at 1,278 MT were 29% higher than a year ago.

## North America Trade Statistics

### USA Fresh/Frozen Beef Exports

Latest Data for September

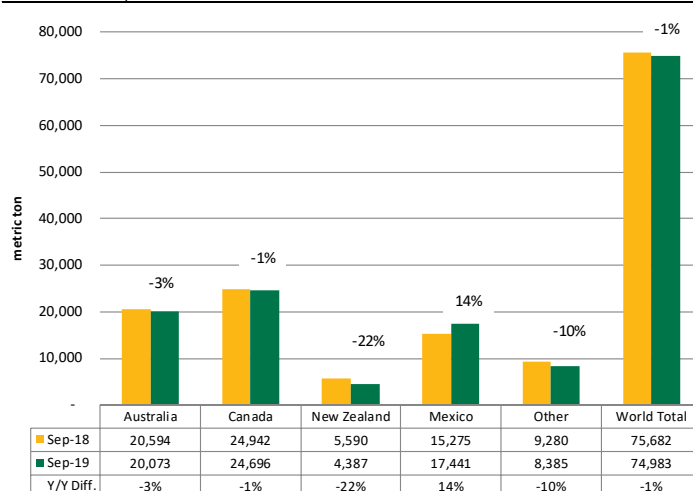
Units: Metric Tons



### USA Fresh/Frozen Beef Imports

Latest Data for September

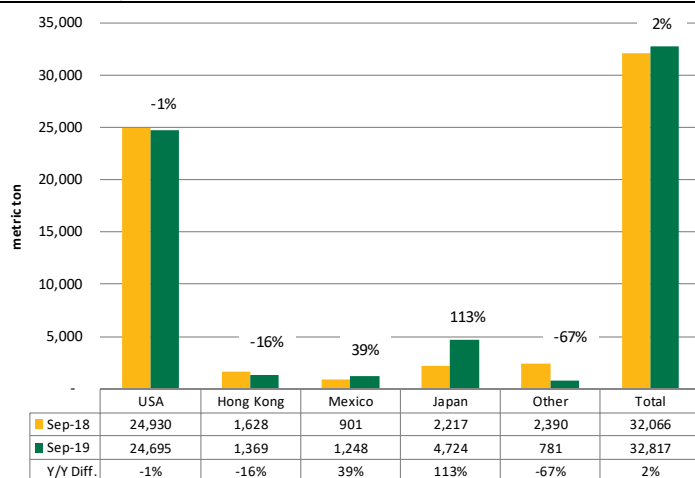
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### Canada Fresh/Frozen Beef Exports

Latest Data for September

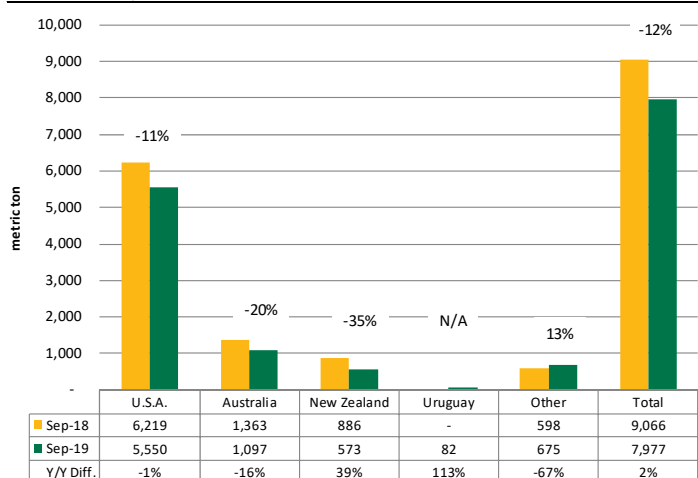
Units: Metric Tons



### Canada Fresh/Frozen Beef Imports

Latest Data for September

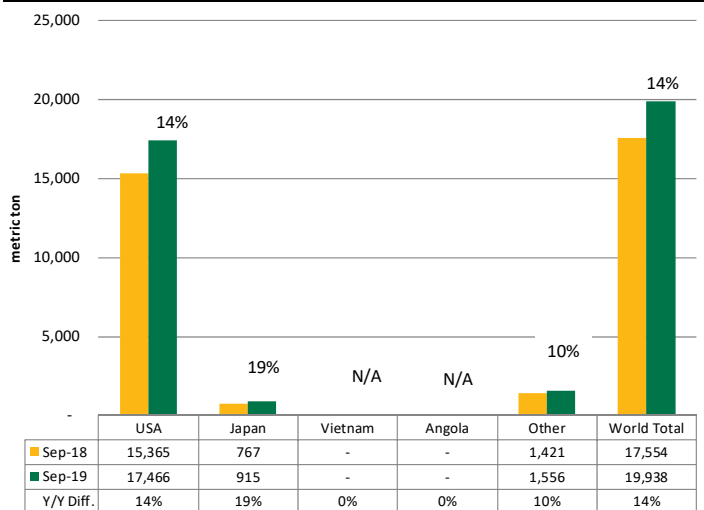
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### Mexico Fresh/Frozen Beef Exports

Latest Data for September

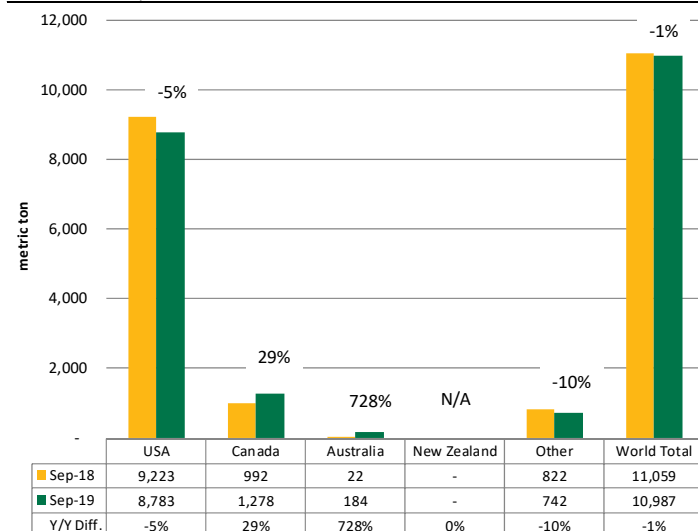
Units: Metric Tons



### Mexico Fresh/Frozen Beef Imports

Latest Data for September

Units: Metric Tons



## South America Market Update

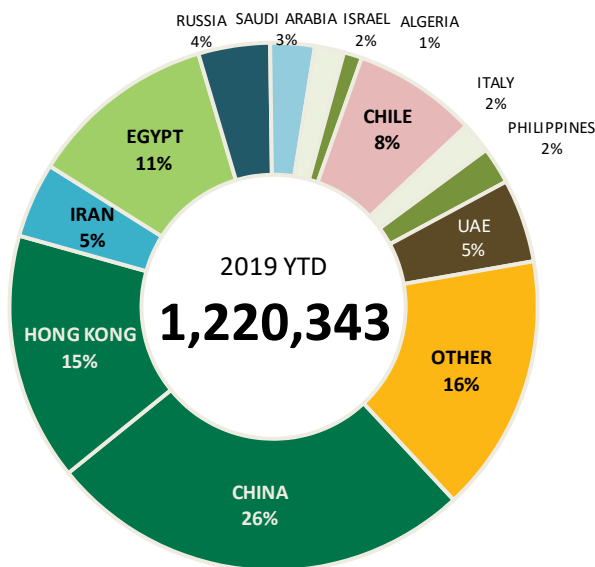
**Brazil:** Beef exports to China were sharply higher in October and the strong demand in both domestic and export markets resulted in sharply higher cattle prices. Domestic beef demand in Brazil tends to increase at the end of the year as most Brazilians receive a 13 month wage. Often this is used to fund holiday parties and cookouts. At the same time, demand for the Chinese New Year resulted in higher bids and more product going to the Chinese market. Total exports of fresh/frozen Brazilian beef in October were 160,099 MT, 18% higher than a year ago and the highest monthly export volume on record. Exports to China in October were 65,827 MT, 34,743 MT or 112% higher than a year ago. The increase in exports to China accounted for the entire increase in exports as well as for a reduction in shipments to some other markets. Exports to Egypt, for instance, were 39% lower than the same month a year ago. The big jump in October shipments quickly changed the outlook for Brazilian exports in 2019. Our working forecast has been for a 10% increase in Brazilian beef shipments this year. Until September that forecast appeared to be a bit aggressive. However, after the October shipment numbers total YTD Brazilian beef exports are 11% higher than the previous year. Exports to China for the year are 318,578 MT, 23% higher than a year ago and accounting for 26% of overall Brazilian beef exports. When we account for the volume of beef going to Hong Kong, product that often gets transshipped to Mainland China, the overall share increases to over 40%.

The continued weakness of the Brazilian real has further supercharged agricultural exports, including beef exports. The Brazilian real in October averaged about 4.07 to 1USD compared to 3.75 a year ago, an 8.5% decline. For product that is priced in USD in the world market, the weak Real offers a competitive advantage for Brazilian producers.

**Argentina:** As with Brazil, a big increase in China beef demand and the weak Peso resulted in sharply higher beef exports in October. Export shipments of Argentine beef in October were 65,037 MT, 25,932 MT or 66% higher than a year ago. Exports to China in October were 49,580 MT, 22,685 MT or 84% higher than a year ago. China accounted for a 76% share of Argentine beef exports in October, slightly higher than the average share for all of 2019 which currently stands at 74%. At this time China is the real market for Argentine beef, with other

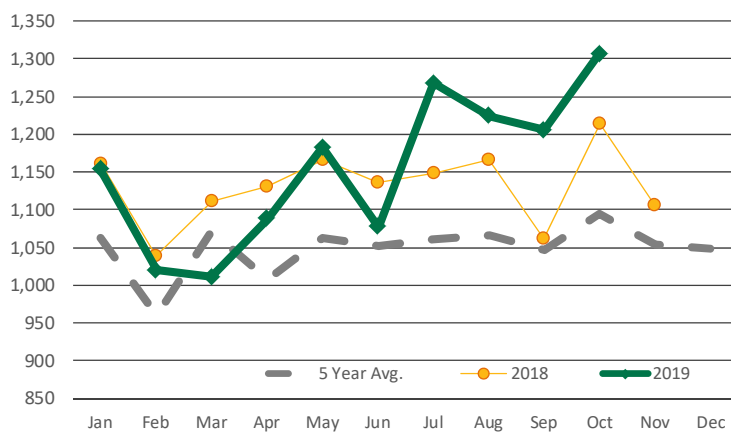
### Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Oct 2019



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

Source: SENASA



markets only taking relatively small quantities. Shipments to the US market remain quite small and they are not expected to increase anytime soon, or at least until we see a slowdown in Chinese demand. That is not expected to happen since Argentina prices are by far the most competitive and this would be the last market that Chinese buyers would walk away from. The chart on page 7 illustrates the dramatic devaluation of the Peso. Recent elections have done little to reverse that trend. In October, the exchange rate was about 58.4 peso to 1 USD compared to 36.8 to 1 USD a year ago, a 59% difference.

Strong demand in export markets has resulted in a significant increase in cattle slaughter. Total cattle

## South America (continued)

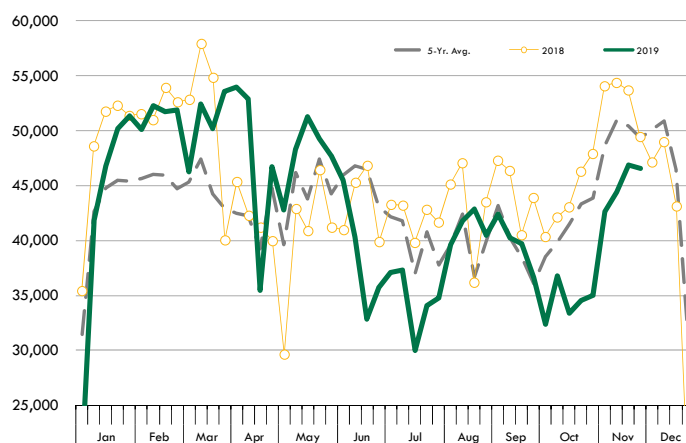
slaughter in October was estimated at 1.306 million head, 7.6% higher than a year ago. In the last three reported months slaughter in Uruguay has averaged 8.7% above year ago levels.

**Uruguay:** Cattle slaughter has seasonally increased in the last four weeks but it remains well below year ago levels. Improved pasture conditions, steep liquidation of the past 12 months and hope of higher prices in 2020 have reduced cattle offerings. In the four weeks ending November 30 total cattle slaughter in Uruguay averaged 45,134 head/wk, 14.7% lower than a year ago and 9.4% lower than the five year average. Steer slaughter during the reference period averaged 19,879 head/wk, 17.4% lower than last year and 18.7% lower than the five year average. The dramatic improvement in producer returns has had a direct impact on the number of cows currently being offered for sale. Cow slaughter during the four November weeks averaged just 16,329 head/wk, 41.2% lower than a year ago and 32.9% lower than the five year average.

The decline in slaughter had a direct impact on Uruguayan beef exports. October shipments of fresh/frozen beef were 26,357 MT, 10% lower than a year ago. However, exports to China, by far the largest market for Uruguayan beef, were slightly higher than the previous year at 19,926 MT (+3%). Exports to the EU were just

**Uruguay Cattle Slaughter, Total**

Weekly Slaughter in Head. Source: World Beef Report

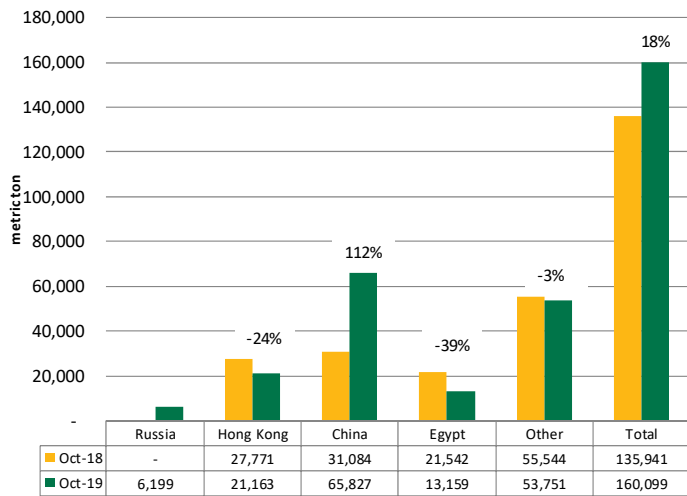


1,367 MT, 44% lower than exports to other markets also declined by 42%. Strong prices in the US have kept export volumes unchanged and in the first 10 months of the year total shipments to the US were 28,559 MT, only 3% lower than a year ago. Our current forecast is for Uruguayan beef exports in 2019 to be 1.5% lower than the previous year, with China accounting for near 70% of all shipments.

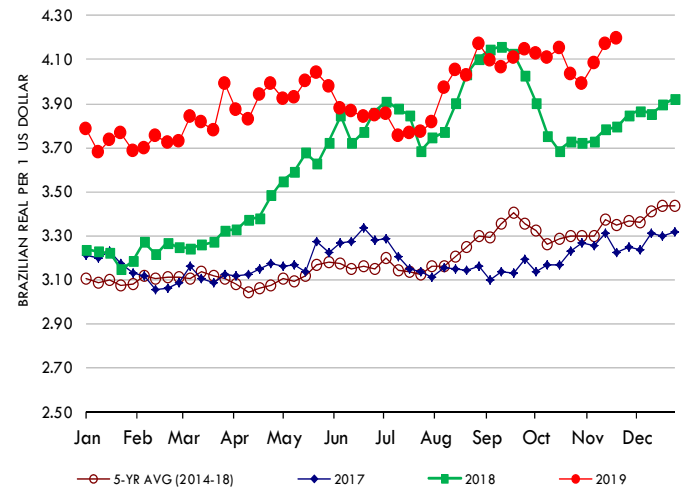
## South America Trade Statistics

### Brazil Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons

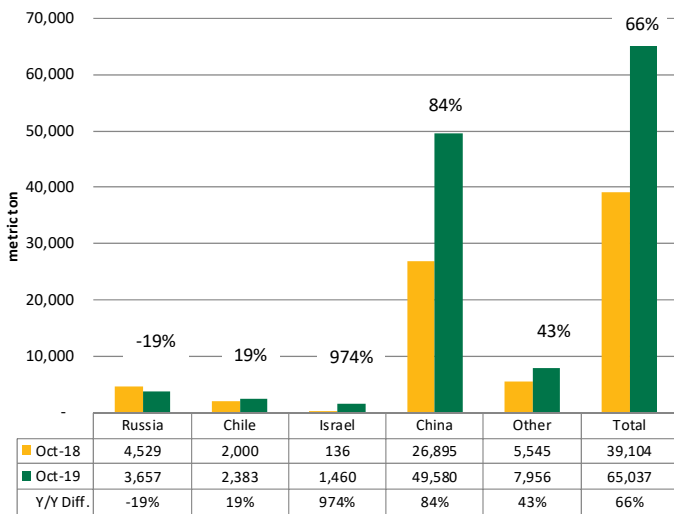


### Brazilian Real Per 1 US Dollar

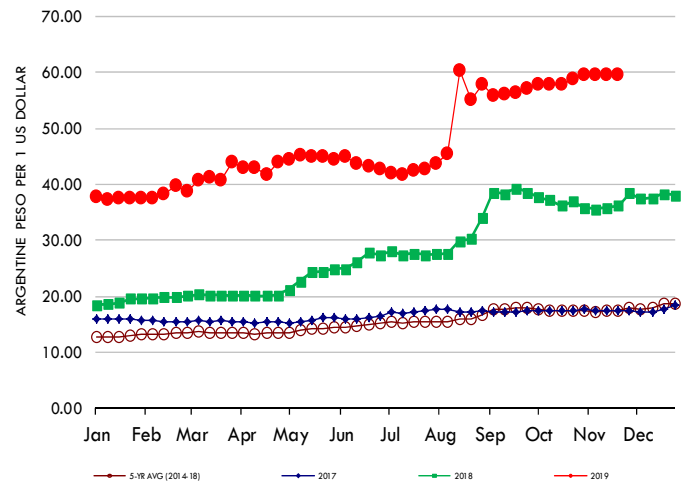


### Argentina Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons

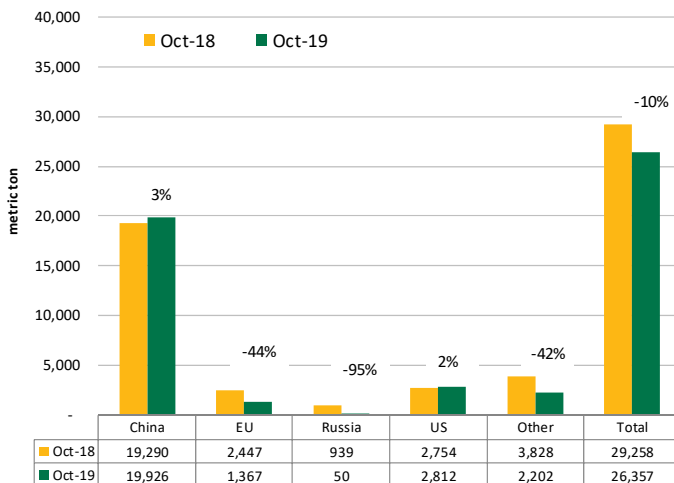


### Argentine Peso Per 1 US Dollar

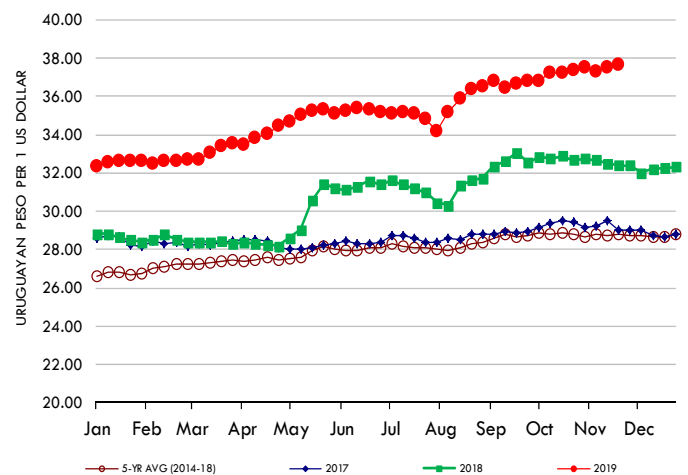


### Uruguayan Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons



### Uruguay Peso Per 1 US Dollar

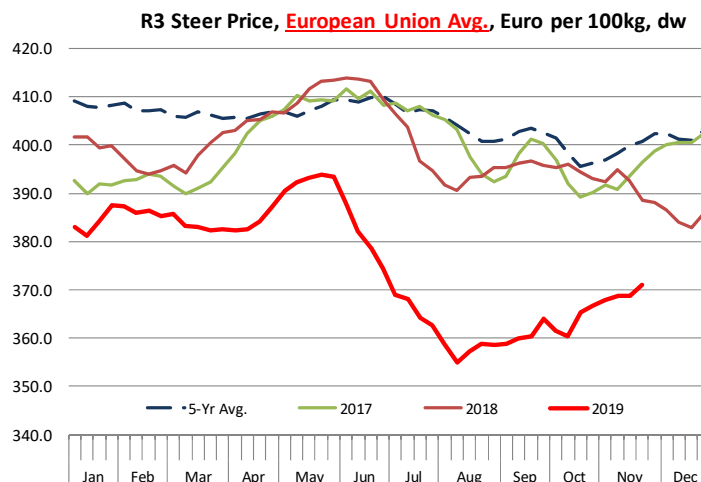


## Asia / EU Market Update

**European Union:** Weak demand and lower prices have resulted in a contraction of beef supplies in the EU. For the period Jan-Aug production of meat from bovine animals in the EU-28 was 2.1% lower than the previous year and current projections are for production to decline by 2%. Cattle slaughter in France, the largest beef producing country in the EU, is currently forecast at 4.497 million head, 2.8% lower than the previous year. Cattle slaughter in Germany, the second largest producer, is forecast at 3.404 million head, 0.4% lower and the third consecutive year of lower slaughter numbers. Even some markets that were engines of growth, such as Poland, are currently experiencing contraction. Cattle slaughter in Poland through August was 7.9% lower than the previous year and forecasts are for slaughter to decline by a similar amount for all of 2019.

Cattle prices in the EU remain weak. The benchmark price for R3 steers in EU-28 was last quoted at 371 euro per 100kg, 4.5% lower than the previous year but higher than the extremely depressed price levels established back in August. Steer prices in Ireland continue to trade at a discount to European prices. The last price quote pegged the average R3 steer carcass price in Ireland at 341.7 euro per 100 kg, 6.5% lower than a year ago. Cow prices in the EU are near year ago levels but this is mostly due to higher prices in Germany and France. The average cow carcass price in Ireland is currently pegged at 258.6 euro per 100 kg, 7% lower than a year ago. The average cow carcass price in Poland was quoted at 250 euro per 100 kg, 9% lower than last year.

**China/Japan/S. Korea:** China beef purchases continued to expand in October, with big increases from all markets. Canada was the only country that was shut out of the Chinese market due to the dispute around the arrest of a Huawei executive. However, in November Chinese officials announced they would resume imports from Canada and we expect to see some volume from this market as well. Argentina has been the top market for Chinese buyers so far this year but in October it fell to third place. Imports from Australia have quickly increased and in October they were a total of 34,992 MT, 129% higher than the previous year. Imports from Brazil at 41,455 MT were 22% higher than last year. Chinese buyers are currently facing tighter supplies and sharply higher prices in some



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

Source: China Customs

Import Partners	9/1/2018	9/1/2019	Y/Y MT	Y/Y %	Jan - Sep 2018	Jan - Sep 2019	Y/Y MT	Y/Y %
Brazil	31,652	36,294	4,642	15%	221,566	236,918	15,352	7%
Uruguay	19,096	23,747	4,650	24%	160,701	216,894	56,194	35%
Argentina	20,969	35,445	14,477	69%	119,053	253,222	134,170	113%
Australia	15,657	33,451	17,794	114%	126,719	214,502	87,783	69%
New Zealand	9,198	16,059	6,861	75%	87,821	165,069	77,248	88%
Canada	649	-	(649)	-100%	4,650	9,949	5,299	114%
South Africa	769	-	(769)	-100%	4,058	1,873	(2,185)	-54%
Costa Rica	517	832	315	61%	3,667	7,357	3,690	101%
United States	471	1,045	573	122%	5,194	6,327	1,133	22%
Other	773	4,466	3,694	478%	4,612	17,826	13,214	287%
<b>Total</b>	<b>99,752</b>	<b>151,339</b>	<b>51,588</b>	<b>52%</b>	<b>738,040</b>	<b>1,129,939</b>	<b>391,899</b>	<b>53%</b>

key markets such as Uruguay. As a result, they have expanded their purchases in Brazil, facilitated by the quick approval of many plants. November and December imports from Brazil are expected to post some big increases. China is also buying some beef from the US but the volume so far has been quite limited. In large part this is due to the 37% tariff faced by US product but also the strong US dollar and high prices in the US market. For the year Chinese beef imports are on track to increase by as much as 55%, a level of imports that was unthinkable even back in the summer. The additional supply of beef that China has purchased this year surpasses all the increase in ex-

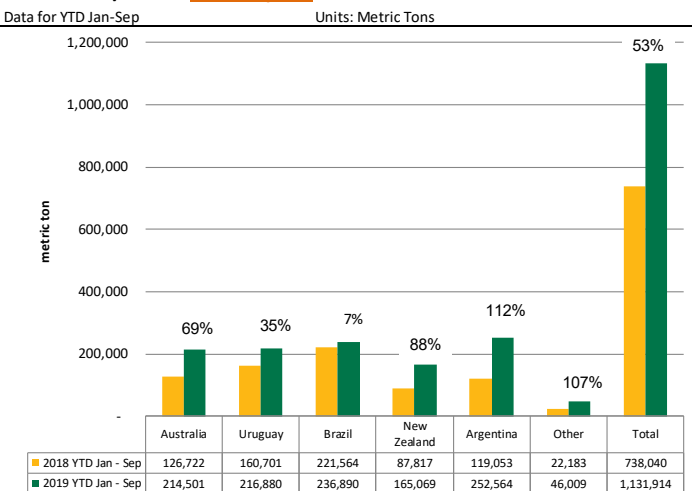


## Asia / EU Trade Statistics

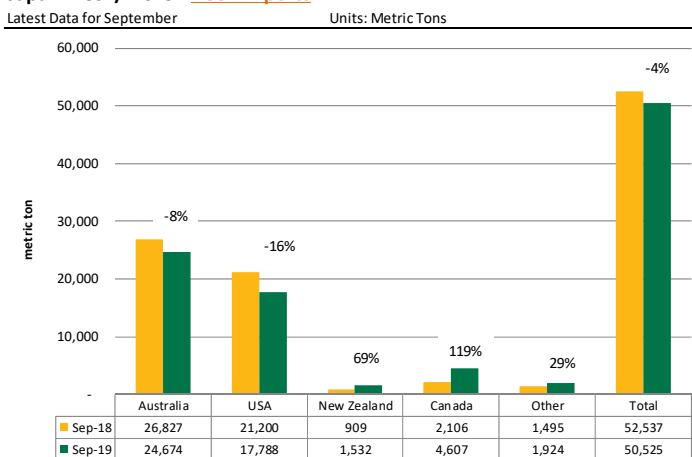
ports from key markets (see table on page 1). Expectations are that China will continue to expand its beef purchases in 2020, something that becomes increasingly difficult to accomplish with output expected to decline in Australia and minimal growth in markets such as Argentina, Uruguay and New Zealand. The main way in which Chinese buyers will be able to secure more product is by outbidding other markets as well as local consumers.

Japan beef imports have been steady this past year even as trade flows were affected by the different tariff regimes in effect. Through September, total Japanese imports of fresh/frozen beef were 459,598 MT, 1% higher than the previous year. Australia remains the top beef supplier to Japan, with imports so far in 2019 at 220,011 MT, 6% lower than the previous year. Strong demand for Australian beef in China and US has limited shipments to the Japanese market. Beef imports from the US in September were 17,788 MT, 16% lower than a year ago. Through September, imports from the US were 3% lower than the same period a year ago. At this time Japanese buyers are sourcing more beef from Canada, taking advantage of the lower tariff available due to CPTPP. In September, imports from Canada were 4,607 MT, about 2,501 MT or 119% higher than a year ago. This increase offset much of the decline in imports from the US. Through September, Japanese imports of Canadian beef were 13,187 MT higher than a year ago, a 79% increase. Higher imports from Canada, New Zealand and Mexico helped offset the decline in imports from Australia and the United States.

### China Fresh/Frozen Beef Imports



### Japan Fresh/Frozen Beef Imports



## Oceania Update

**New Zealand:** New Zealand slaughter seasonally increases in calendar Q4 and that has been the case again this year. However, the pace of slaughter has been a bit slower than in past years, in part due to fewer bulls coming to market. Total cattle slaughter in the four weeks ending November 9 averaged 35,997 head/wk, 9% lower than the previous year but very close to the five year average. Bull slaughter during the reference period averaged 6,859 head/wk, 25% lower than a year ago while cow slaughter at about 9,527 head per week was 4% higher than a year ago. As the chart to the right illustrates, cow slaughter does not start to increase until February and even then the timing of the increase in slaughter is largely dependent on weather conditions. The slow start of bull slaughter season would suggest more animals will be available in January and February. That was the case last year as well, when bull slaughter in December fell well short of expectations but then we saw a significant y/y increase in February and March.

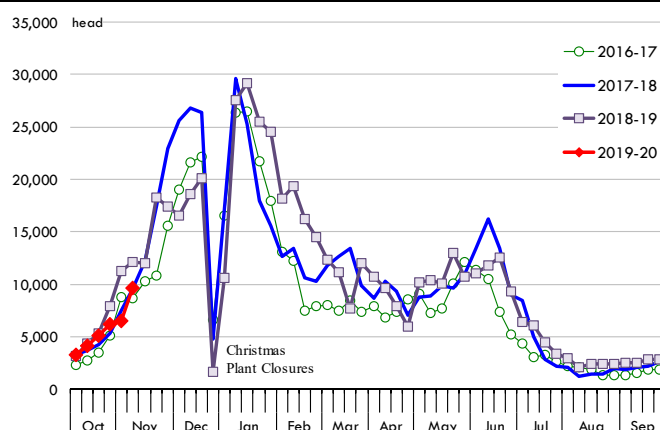
The slow pace of slaughter did not impact exports in October, with total shipments for the month reported at 25,677 MT, 27% higher than a year ago. Strong demand in export markets, especially in China, encouraged New Zealand packers to push more product into those channels. Total shipments to China in October were 15,144 MT, 165% higher than a year ago and accounting for 59% of all New Zealand exports. Shipments to the US, once the top market for New Zealand beef were just 3,225 MT, 2,120 MT or 40% smaller than a year ago. Routinely in the past US accounted for over half of all New Zealand exports. In October, shipments to the US accounted for just 13% of all exports.

**Australia:** Tough drought conditions and strong demand in export markets has resulted in a much higher slaughter rate than earlier expected. In the four weeks ending November 29, cattle slaughter in Australia averaged 156,252 head/wk., 15% higher than a year ago. Regional slaughter patterns differ greatly, reflecting drought stress situation. Slaughter in Queensland during the last four weeks has averaged 80,220 head/wk, 21.4% higher than the same four week period a year ago. Slaughter in Southern Australia, on the other hand, has averaged about 15% lower than last year.

The increase in slaughter continues to fuel Australian beef exports. So far Australian packers have been

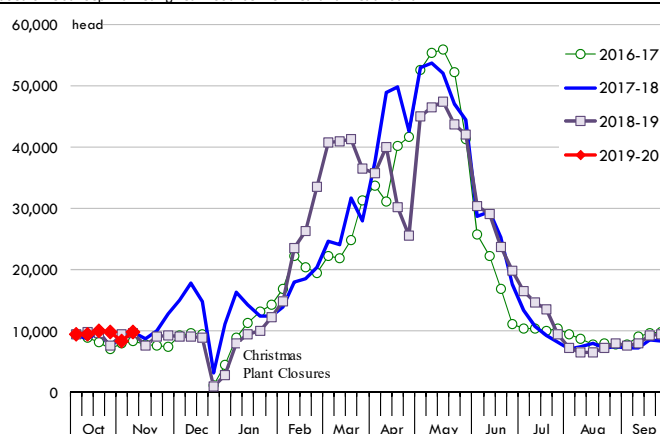
### New Zealand Weekly Bull Slaughter

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



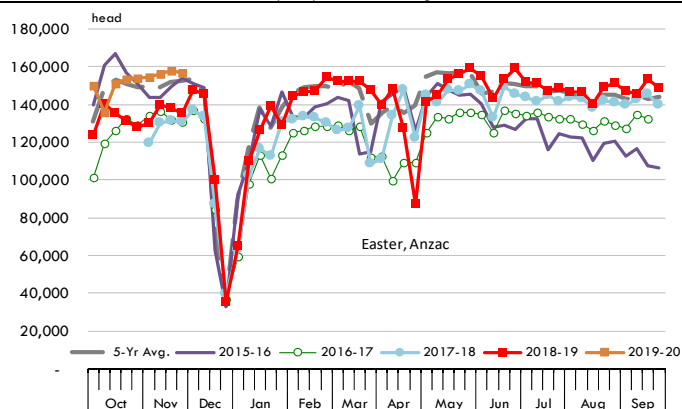
### New Zealand Weekly Cow Slaughter

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



able to dramatically increase their shipments to the Chinese market. In the most current month, sharply higher prices in China had the effect of “buying away” some

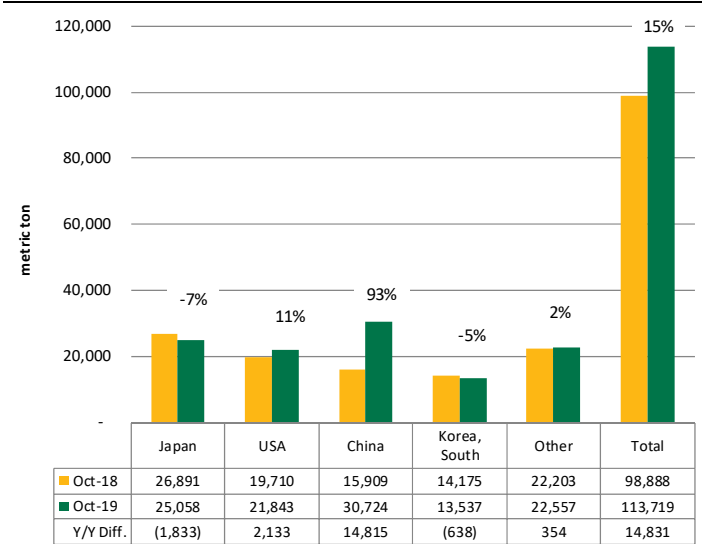
## Oceania Statistics

product from other traditional markets. Australian beef exports in November were 103,782 MT, lower than the previous month but still 8.7% higher than a year ago. Exports to China in November were 34,264 MT, 19,639 MT or 134% higher than a year ago. Exports to Japan were down 18.6%, exports to the US were down 13.7% and exports to South Korea were down 12.4%. Going forward, Australian packers see continued strong demand from China and expect a reduction in shipments to other markets. A possible decline in slaughter, in part due to the smaller inventory, could result in even higher prices as buyers in these markets chase after an even smaller supply.

### Australia Fresh/Frozen Beef Exports

Latest Data for October

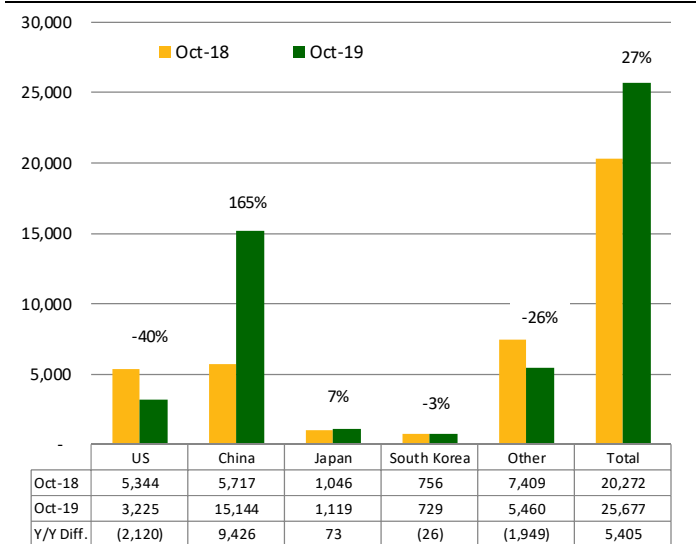
Units: Metric Tons



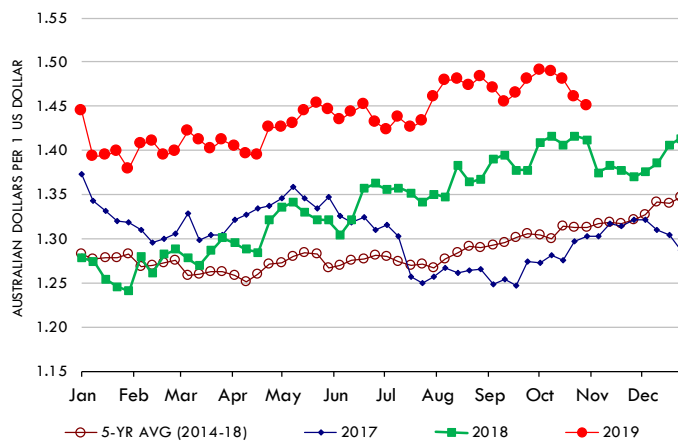
### New Zealand Fresh/Frozen Beef Exports

Latest Data for October

Units: Metric Tons



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



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

