

Global Beef Market Monthly Review

September 2020

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Highlights:

- Chinese buyers have significantly reduced their beef purchases in Oceania this year. However, this does not mean that China is buying less beef overall. August imports were lower from the all time record established in July but they were still some 45% higher than the previous year.
- Brazil beef price inflation has escalated in the last few months due to the weakness of its currency and continued strong demand from China. Shipments to China so far this year are 150% higher than the same period a year ago.
- Uruguay is shipping less beef as slaughter continues to track below year ago levels. USDA is currently projecting beef production in Uruguay to rebound next year thanks to 3.1% increase in the calf crop this year.
- US beef imports are expected to be higher than earlier expected, in large part due to higher imports from South and Central America.
- UK can now ship beef to the US for the first time in 20 years. Volume is expected to remain very limited, however, at least initially.
- Canadian beef production is expected to recover in 2021 but limited gains in the beef herd will keep production near the same level as in 2019.

Trade Update for Key Global Players

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

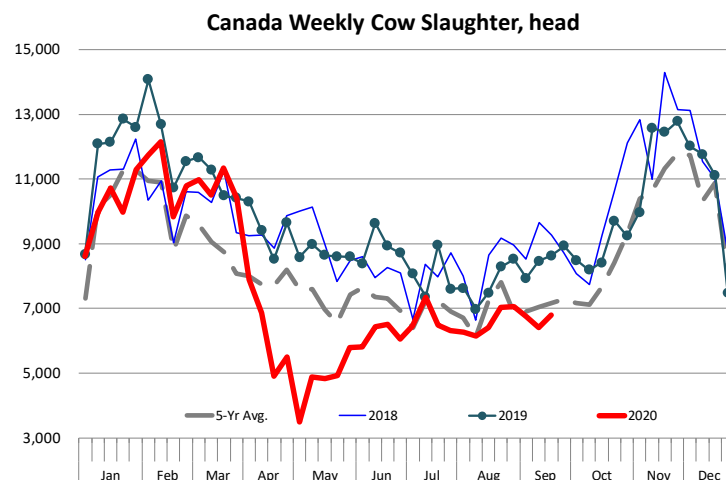
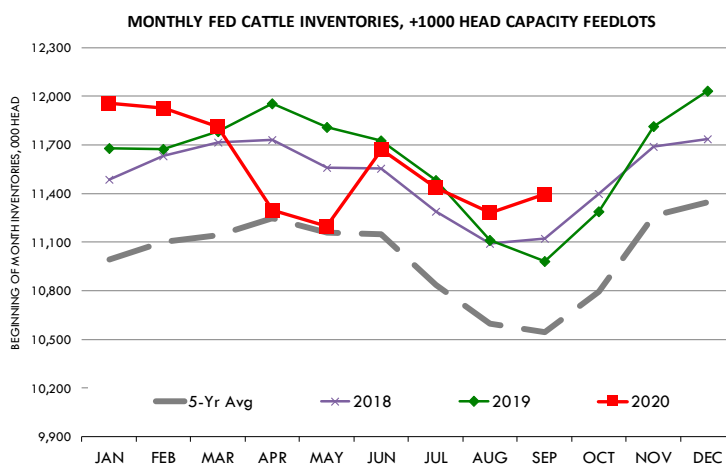
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS						4,755,890	4,892,654	136,764	3%	
Australia	19%	0%	Aug 2020	78,021	-28,311	-27%	1,228,963	1,142,936	-86,027	-7%
Argentina	2%	0%	May 2020	57,927	11,393	24%	566,272	639,887	73,615	13%
New Zealand	7%	0%	Aug 2020	29,101	755	3%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Aug 2020	163,221	36,795	29%	1,535,091	1,725,442	190,351	12%
USA	11%		Jul 2020	79,858	-7,201	-8%	961,419	924,885	-36,534	-4%
IMPORTS						3,900,668	4,482,259	581,591	15%	
USA		20%	Jul 2020	120,894	35,501	42%	976,446	1,015,504	39,058	4%
China	0%	9%	Aug-20	188,695	58,163	45%	1,657,151	2,220,583	563,431	34%
Hong Kong			Jul 2020	33,814	3,084	10%	364,920	328,428	-36,492	-10%
Japan	0%	9%	Jul 2020	52,629	-9,911	-16%	615,381	633,842	18,461	3%
Russia	0%	8%	Jun 2020	15,822	-5,646	-26%	286,770	283,902	-2,868	-1%

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

North America Market Update

United States: US cattle on feed data suggests plentiful cattle supplies through the fall and early winter. On September 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.394 million head, 412,000 head or 3.8% higher than a year ago. Analysts on average were expecting the inventory to be 3.4% higher than a year ago. Producers continued to place cattle aggressively in August while marketings were down because of one less marketing day compared to last year. Front end inventory has been steadily declining from the backlog created in April and May but it remains quite large. The supply of cattle that on September 1 had spent at least 150 days on feed was 2.472 million head, 415,000 head or 20% higher than a year ago. In August the inventory of +150 day cattle was some 800,000 higher than last year so producers have managed to work down the front end supply but work still remains. The inventory of cattle with 120 days or more on feed was estimated at 3.834 million head, slightly lower than a year ago but still 5.7% higher than the five year average. Disruptions in slaughter due to new COVID cases combined with the increase in placements recently present some downside risk for the market this winter.

Feedlots with +1000 head capacity placed 2.057 million head of cattle on feed during August, 173,000 head or 9.2% more than a year ago. Analysts polled ahead of the report on average expected placements to be 5.9% higher than last year. This was the second month that placements have exceeded estimates, reflecting in part the impact of drought in parts of the country but also an improvement in feedlot margins and the availability of cattle that should have been placed earlier this year. Feedlots placed 847,000 head of cattle weighing over 800 pounds, 72,000 head or 9.3% more than a year ago. Placements of cattle between 700-799 pounds were up 46,000 head or 10.8% from last year. The large supply of +150 day cattle and an increase in cattle weighing 700 pounds or more should continue to keep October and December cattle prices in check. Higher imports from Mexico likely contributed to the increase in overall placements. According to weekly USDA data, imports from Mexico during the four August weeks were 86,725 head, 23,309 head or 37% higher than last year. Imports of feeder cattle from Canada during this period were down 2,785 head. Dry conditions likely contributed to some of the increase in placements. Cattle placements in Kansas were up 100,000 head or 23% higher than a year



ago. Drought conditions in Western Kansas deteriorated sharply in August, forcing some feeders off pastures. Placements in Nebraska were up 60,000 head or 13%, in part because of a lower than normal placement rate in the previous three months.

Canada: The latest forecasts from USDA suggest that beef production will recover from COVID related disruptions in 2020 but overall supply will continue to remain limited. Total beef production for calendar year 2020 is currently forecast at 1.310 million MT (carcass wt. basis), 2.4% lower than the previous year. Production in 2021 is projected at 1.340 million MT, up from 2020 levels but near the same as in 2019. The Canadian beef cow herd at the beginning of 2020 was 3.544 million head, 3.9% smaller than the previous year. The decline is expected to result in a 2020 calf crop of 4.260 million head, down 1.8% from 2019. The beef cow herd at the start of 2021 is cur-

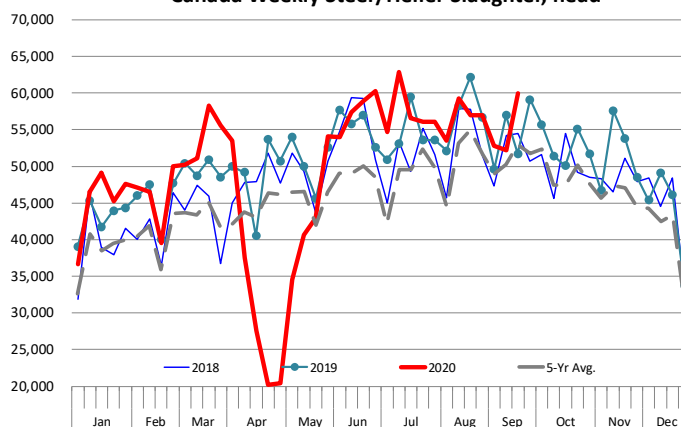
North America (continued)

rently projected at 3.6 million head. Cow slaughter has been constrained this year because plants prioritized steer and heifer slaughter during the summer months. Weekly cow slaughter between April and September was 28% smaller than the previous year. If anything, we think the USDA estimates of the beef cow herd for January 1, 2021 is on the conservative side and the inventory may be a bit higher. This implies a modestly higher calf crop for next year. Canadian beef imports for 2020 are projected at 230k MT on a carcass wt. basis. Imports are expected to decline by 30k MT next year, a function of expected lower prices in Canada and the expected recovery in domestic beef production.

Mexico: Beef production in Mexico has been on a growth path for the last few years and that is expected to continue in 2021. The total cattle inventory in Mexico on January 1, 2020 was estimated earlier in the year at 16.9 million head and USDA did not make any changes to that estimate. That was 1.2% higher than the previous year. Despite higher slaughter during 2020, producers have been able to bolster the beef cow herd, resulting in a larger herd, an increase in calf production and thus a larger inventory at the start of next year. USDA is now forecasting the January 1, 2021 Mexican inventory at 17.2 million head, 1.8% higher than the previous year. The calf crop for 2020 is projected at 8.105 million head, 2.6% higher than the previous year. The calf crop for 2021 is forecast at 8.3 million head, 2.4% higher than in 2020.

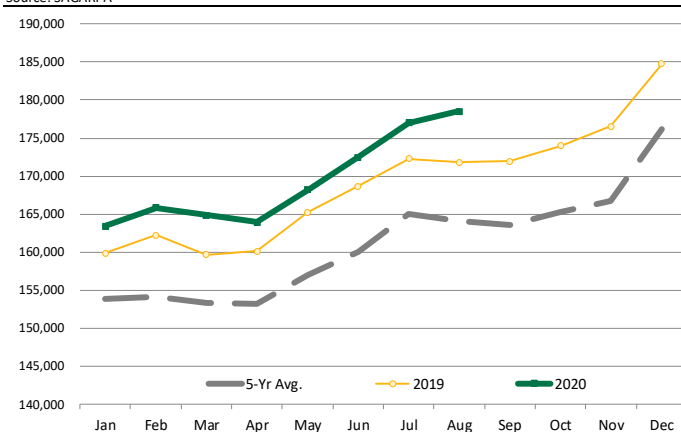
The increase in inventories and the ever expanding calf crop implies continued growth in Mexican beef production for the remainder of this year and in 2021. USDA revised higher its beef production estimate for 2020, forecasting it to be 2.090 million MT (carcass wt basis). This represents a 3% increase compared to a year ago and slightly higher than the increase in monthly exports we have seen so far this year. Imports now represent an ever smaller share of domestic supply in Mexico as high prices have rationed demand and Mexico now has a larger domestic production base to fill its needs. Beef imports for 2020 are projected at 145 million MT, down 24% compared to a year ago. USDA is currently projecting imports to be flat in 2021 but this may be revised lower as was the case this year. Exports on the other hand continue to fly high. Strong demand in the US market, and the weak Peso, has turbo charged exports this

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

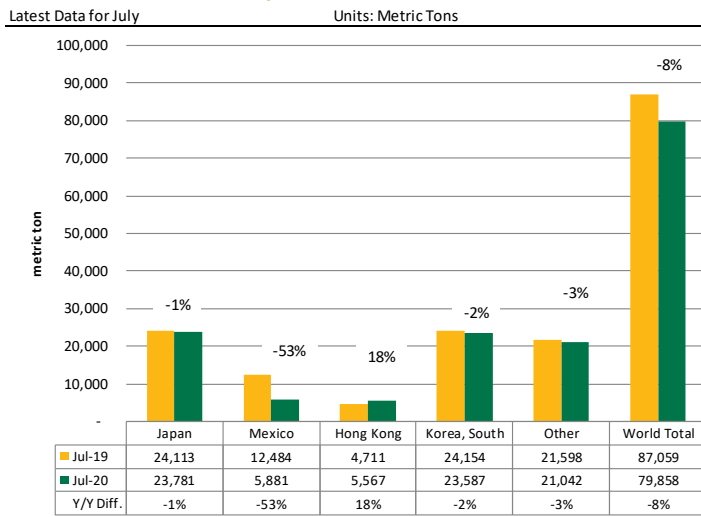
Source: SAGARPA



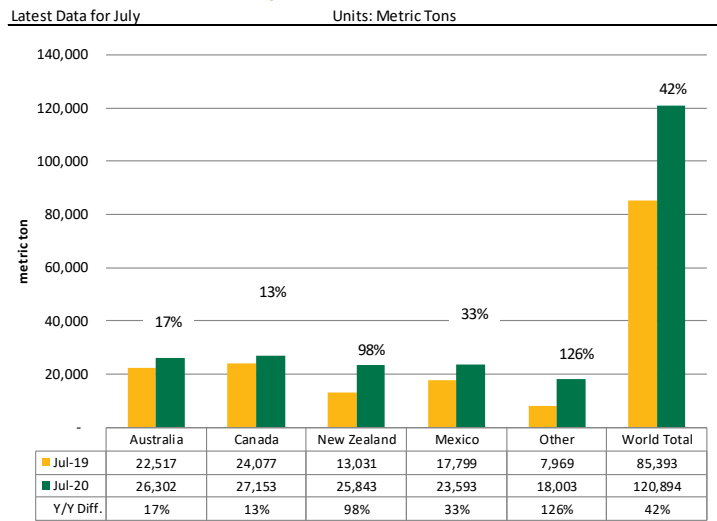
year. Total shipments for 2020 are now projected at 360 million MT (cwe) , 14.6% higher than a year ago. Exports in 2021 are forecast at 420 million MT, 16.7% higher than the current 2020 projection.

North America Trade Statistics

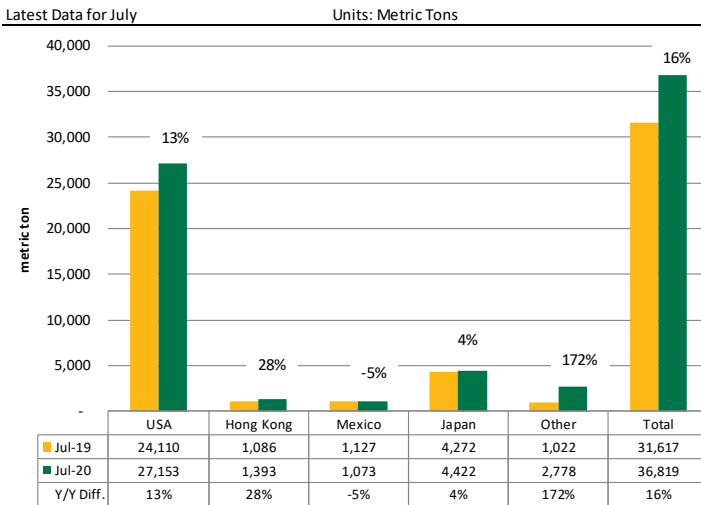
USA Fresh/Frozen Beef Exports



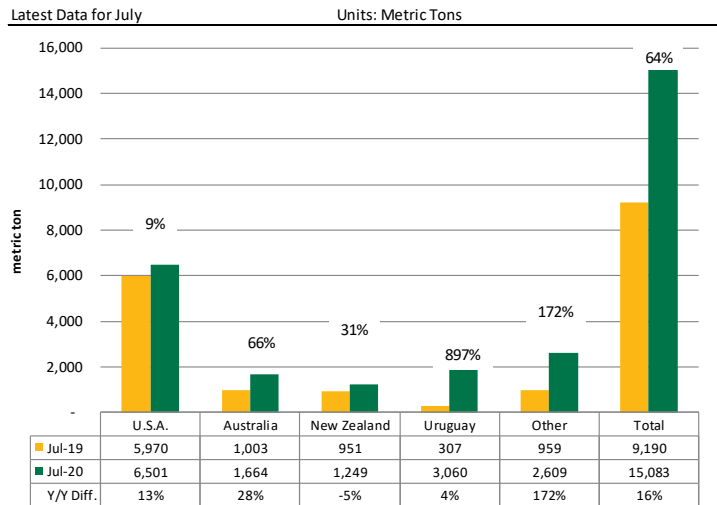
USA Fresh/Frozen Beef Imports



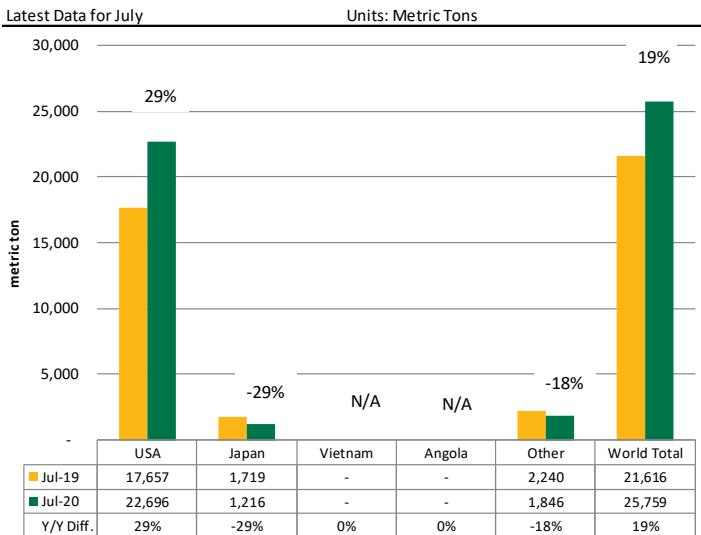
Canada Fresh/Frozen Beef Exports



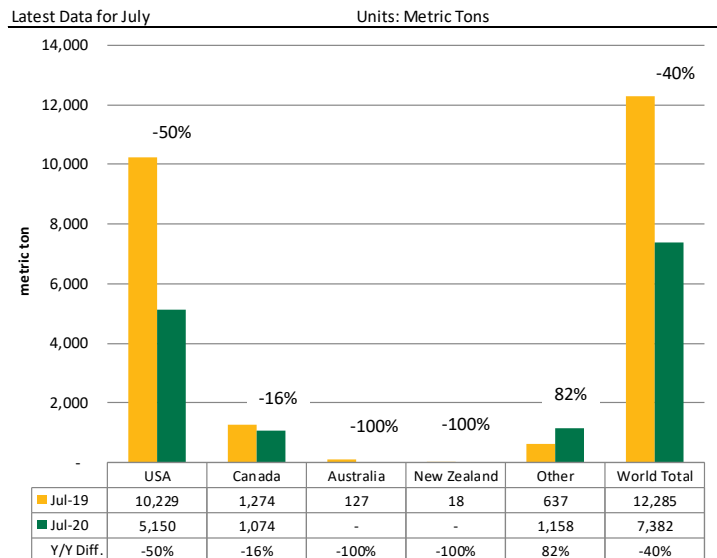
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

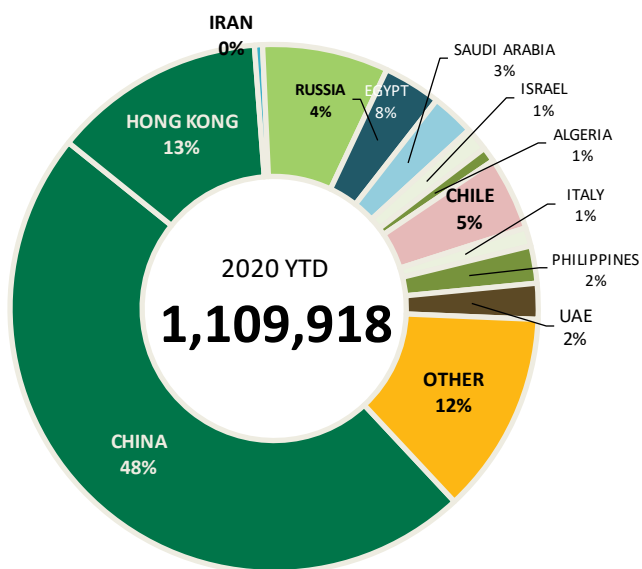
Brazil: Brazilian beef exports are on track to increase at double digit rate once again this year, largely on the back of higher Chinese purchases. Total shipments of fresh/frozen beef in August were 163,221 MT, 36,795 MT or 29% higher than the previous year. Exports to China in August were 78,253 MT, more than double last year's levels. Additionally, exports to Hong Kong were 20,456 MT, up 23% from a year ago. Combined exports to Mainland China and Hong Kong in August accounted for almost 61% of all Brazilian shipments for the month. This is in line with the share of exports so far this year. In the past eight months, total exports to China and Hong Kong have been a total of 674,243 MT, up 313,585 MT or 87% compared to a year ago. Exports to all other markets during this period were 435,675 MT, 140,185 MT or 24% lower than the previous year.

Beef exports to the US have increased but from a very low base. Exports of fresh/frozen beef cuts to the US in August were 2,875 MT and in the last three months shipments have been a little over 10,000 MT. Quota is not an issue for Brazilian packers at this time as Argentina has been using the country specific quota and Central American countries no longer utilize the MFN quota. Current pricing in the US market and Asia demand currently dictates the level of exports to the US. The weak Brazilian real continues to encourage exports while at the same time driving price inflation in Brazil. The price of finished cattle in Brazil is currently trading 57% above year ago levels. The weak currency has offset much of the increase for world buyers, with cattle prices in USD terms up 16% vs. year ago.

Argentina: Argentine beef exports have continued to increase at a rapid pace this year despite a more challenging export market. Weak domestic demand and the depressed value of the Peso continue to turbo charge beef exports, especially to China. Total shipments in May were 57,927 MT, 24% higher than the previous year. In the first five months of the year beef exports were up 22% from the previous year. Shipments to other markets were lower in May as more product was diverted to the Chinese market. Shipments to China for the month were 51,471 MT, 43% higher than the previous year, accounting for almost 90% of all Argentine beef exports. Exports to China during the Jan-May period were 170,083 MT, 30% higher than the previous year. Our current working forecast is for Argentine beef exports to increase

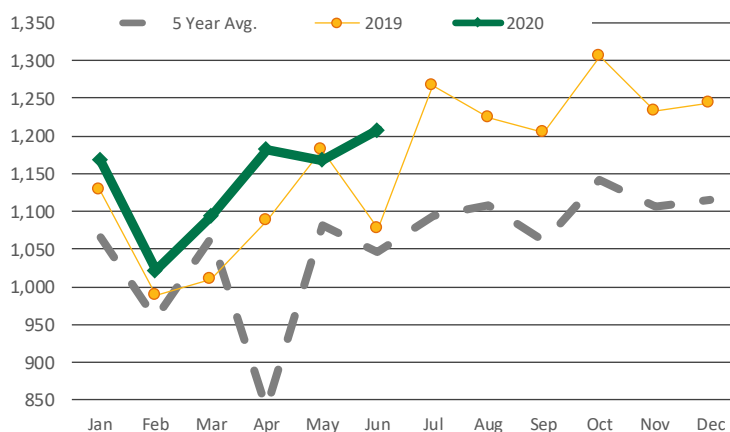
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Aug 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



13% in 2020 following a 52% increase in 2019 and 78% increase in 2018. China is forecast to take 75% of all Argentine beef exports, similar to the share it had a year ago.

Cattle slaughter in Argentina during the first six months of the year was 5.7% higher than the previous year. Slaughter in June was estimated at 1.208 million head, 12.1% higher than the previous year. Cow meat production in June was estimated at 274,114 MT (cwe basis) 13.7% higher than a year ago.

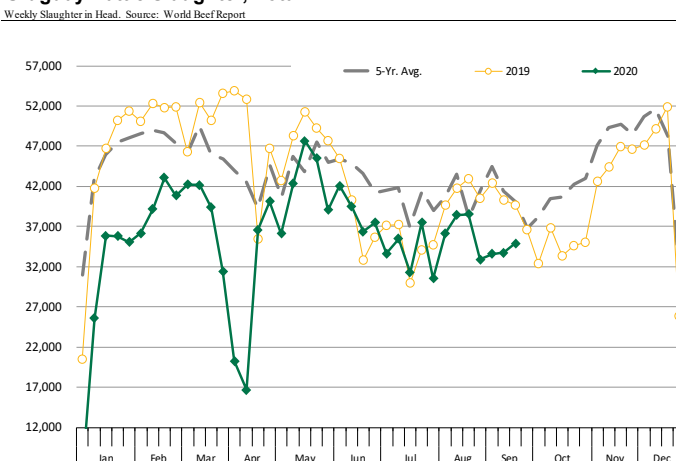
South America (continued)

Uruguay: Uruguayan cattle slaughter has been running below year ago levels for much of 2020 and that was the case in late August and September. Slaughter in the four weeks ending September 19 averaged 33,770 head per week, down 17% compared to a year ago and 18.7% under the average of the last five years. It is not unusual for slaughter to slow down in late September and October before moving higher in late spring and summer (Southern Hemisphere).

USDA expects Uruguayan beef production to rebound in 2021, in part due to a record calf crop in 2020. According to USDA, the calf crop this year is projected at 3.1 million head, 12% higher than the previous year. An improvement in the pregnancy rate, good weather conditions and a 4% increase in the beef cow herd all contributed to the increase in calf production this year. Slaughter in 2021 is currently forecast at 2.2 million head, 10% higher than the previous year. Beef production is expected to be up 9% compared to the previous year, with exports representing 78% of total production.

China remains the top market for Uruguayan beef but the decline in slaughter this year has limited exports so far. Beef exports in August were 22,749 MT, 4,724 MT or 17% lower than last year. Exports to China were 11,722 MT, down 7,953 or 40% vs. year ago.

Uruguay Cattle Slaughter, Total

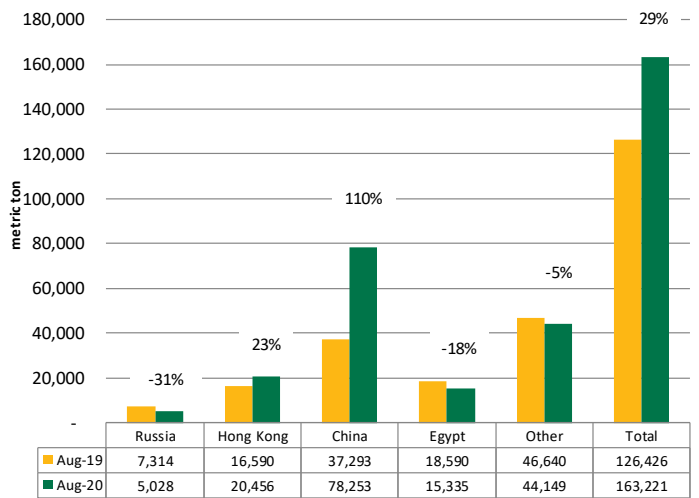


South America Trade Statistics

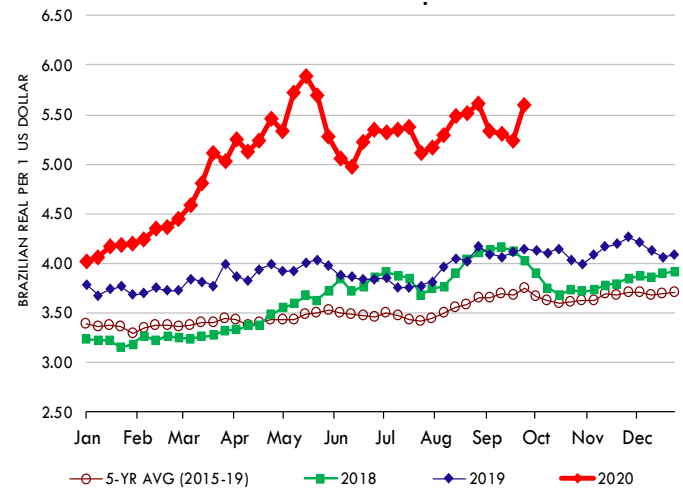
Brazil Fresh/Frozen Beef Exports

Latest Data for August

Units: Metric Tons



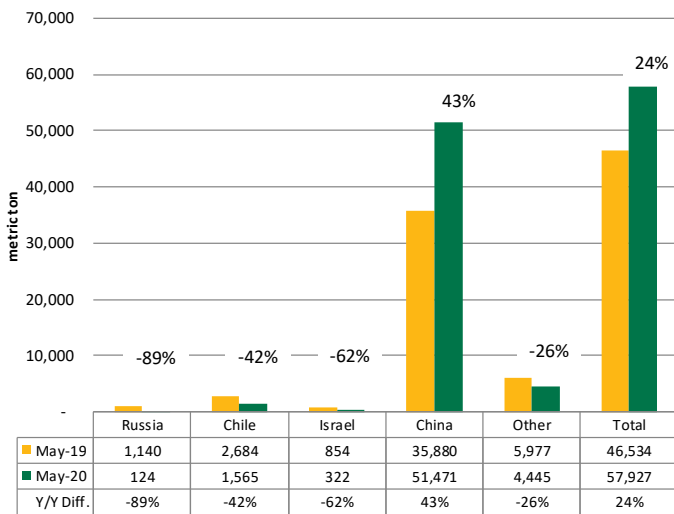
Brazilian Real Per 1 US Dollar



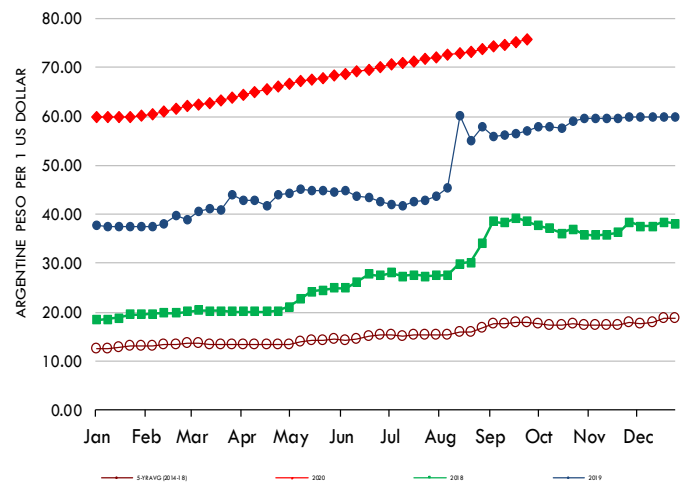
Argentina Fresh/Frozen Beef Exports

Latest Data for May

Units: Metric Tons



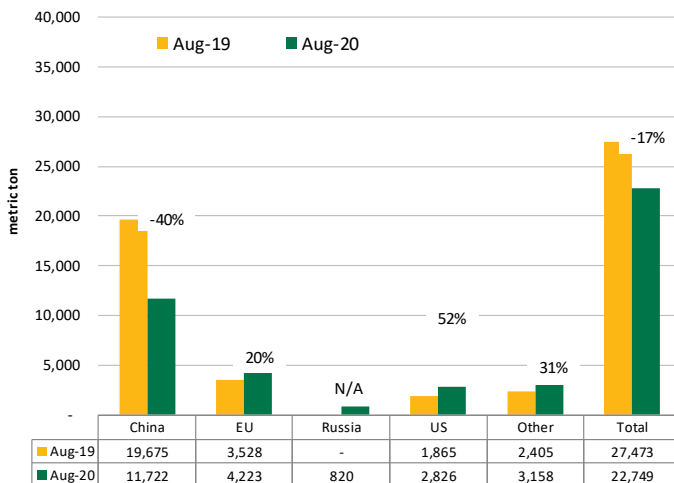
Argentine Peso Per 1 US Dollar



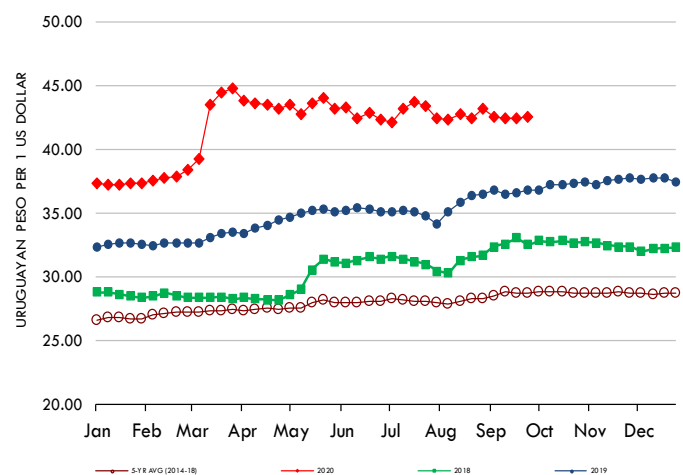
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Aug 2020

Units: Metric Tons



Uruguay Peso Per 1 US Dollar

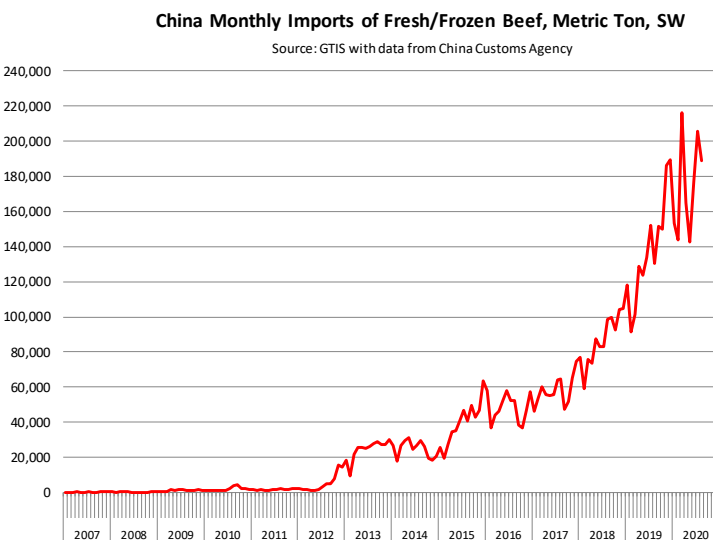
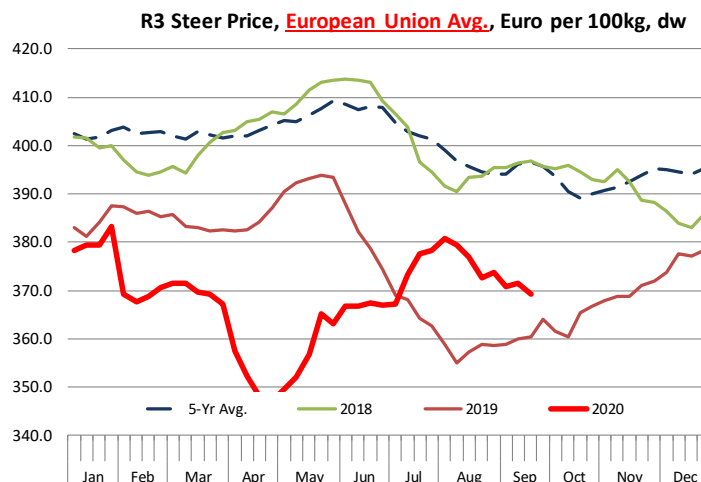


Asia / EU Market Update

European Union: Irish cattle slaughter continues to track close to normal at this time but far higher than the COVID induced lows in April and early May as well as last year's strike shortened kill. Cattle slaughter in the four weeks ending September 27 averaged 34,639 head per week, 71% higher than the strike affected period a year ago but 10% lower vs. two years ago. Cow slaughter during the reference period above averaged 6,791 head per week, 105% higher than a year ago. Cow slaughter has slowed down compared to June and July when weekly slaughter was as high as 9,500 head per week. Steer slaughter during this period averaged 16,712 head per week, 78% higher than last year. Seasonally steer slaughter in Ireland increases into the fall. In May and June steer slaughter averaged about 11,500 head per week. Slaughter last October was as high as 17,000 head and expectations are for slaughter to once again trend higher in October and November.

Cattle prices in Ireland and across the EU have shown some improvement recently but there is plenty of uncertainty going forward. There has been a significant spike in corona virus cases as countries lifted restrictions and people started to move around and go on holiday. The spike in cases could result in new lockdown orders, although expectations are that this will be more localized than in March, April and May. Steer prices in Ireland for the week ending September 20 averaged 362 euro per 100kg, up 6% from a year ago. Steer prices in the UK were last quoted at the equivalent of 406 euro per 100 kg, up 10% compared to last year. UK now can once again ship product to the US but given current price and demand in the UK local market, we do not expect significant volumes to come to the US. Still some estimates from the UK note that annual shipments could hit some \$100 million over the next five years.

China/Japan/S. Korea: Chinese buyers have pivoted away from Oceania and a few other markets and focused primarily on Argentina and Brazil to fill their needs. Some of this reflects market realities, with Argentina and Brazil beef priced well below other markets. The weak Peso and Real certainly have helped. Political issues also appear to have played a role, with a number of Australian packing plants delisted after Australia raised questions about the source of COVID-19. Chinese beef imports in August were 188,695 MT, 67,587 MT or 45% higher than



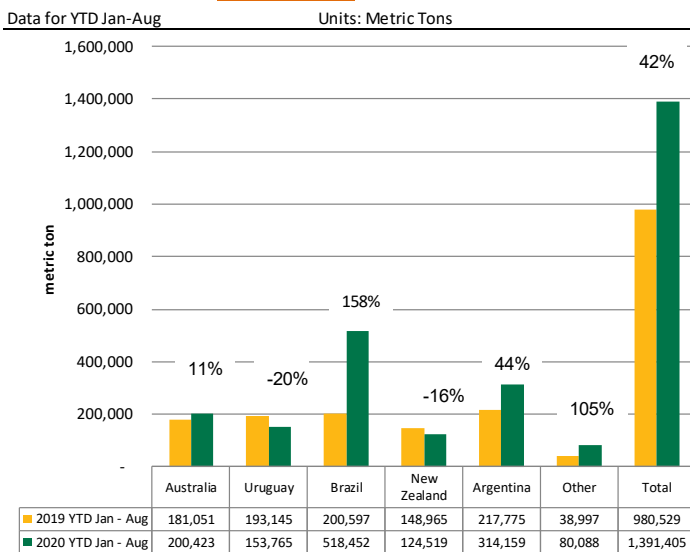
the previous year. Imports from Brazil for the month were 88,299 MT, 67,587 MT or 326% higher than the previous year. The increase in imports from Brazil more than offset the decline in imports from Uruguay (-28%), Australia (-39%) and New Zealand (-44%). Imports from Argentina last month were 44,858 MT, up 12,685 MT or 39% compared to the previous year. Through August Chinese beef imports are up some 408,016 MT, 42% higher than the previous year and now exceeding the forecast that we laid out at the start of the year. We have now raised our projections for this year and expect Chinese imports to be up 563,000 MT vs. year ago. This is far higher than the expected increase in the amount of beef that major exporting countries are expected to ship this year. The result is a reduction in imports from key countries and likely a contribution to the global supply picture

Asia / EU Trade Statistics

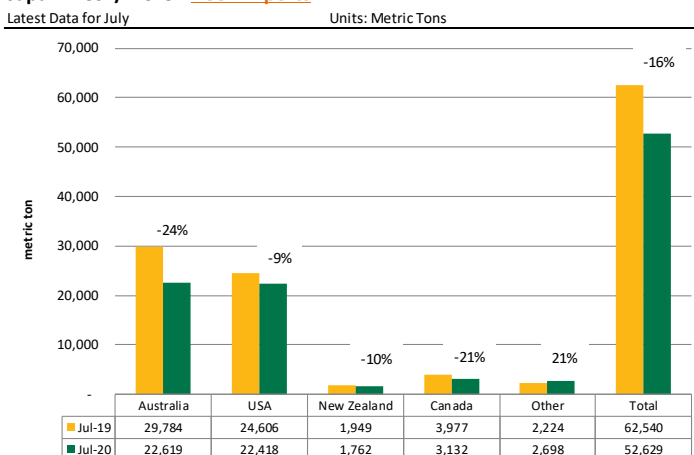
from smaller markets.

Japanese domestic beef production in July was estimated at 30,660 MT, 0.5% higher than the previous year. Imports for the month were estimated at 52,640 MT, 15.8% lower for the month. Boneless cuts represent the largest share of beef imports in Japan and in July fresh/chilled boneless beef imports were down 15.2% compared to the previous year. Imports of fresh/chilled beef chuck, round and clods were estimated at 11,708 MT, down 17% compared to the previous year. Imports of fresh/chilled beef chuck, round and clods were estimated at 11,708 MT, down 17% compared to the previous year. Imports of frozen boneless cuts were 29,324 MT, down 16.2% compared to the previous year. Frozen ribs accounted for about half of all frozen imported boneless cuts coming into Japan in July. Those imports were estimated at 14,737 MT, down 8.6% compared to a year ago. US and Australia accounted for the largest share of Japan imports in July. Imports of US beef were estimated at 22,399 MT, 8.8% lower than a year ago while imports of Australian beef at 22,655 MT were 24% lower than last year.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

New Zealand: New Zealand slaughter has been running above year ago levels even though this is normally the seasonal low for New Zealand slaughter. Cow slaughter in the four weeks ending August 29 averaged 8,900 head per week, 1,735 head/wk. or 24% higher than a year ago. Bull slaughter during that period averaged 2,590 head per week, 10% above last year.

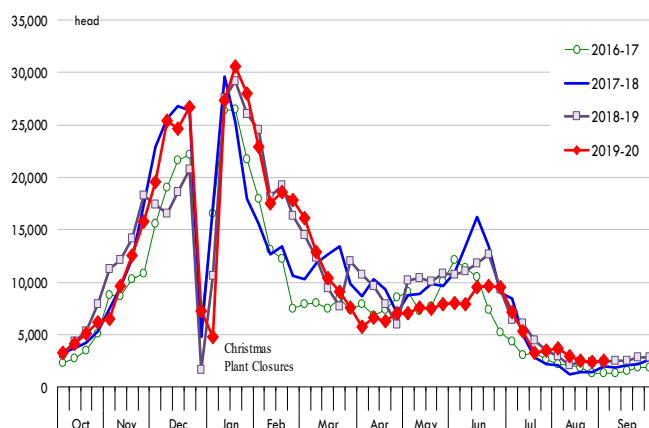
The increase in slaughter combined with China's shift away from Oceania supplies significantly re-arranged product flows in August. Total New Zealand beef shipments last month were 29,101 MT, 3% higher than a year ago. Exports to the US Market were 9,940 MT, 4,553 MT or 85% higher than a year ago. Exports to China, on the other hand, were 10,079 MT, 5,555 MT or 36% lower than a year ago. China demand is expected to improve but this all hinges on the recovery in its foodservice sector. For now, Chinese buyers have shifted their demand to Brazil, making it by far the main supplier there.

Australia: Australian cattle slaughter continues to run below year ago levels and this has limited the amount of product available for export. For the week ending September 18 total slaughter was estimated at just a little over 100,000 head, down 35% compared to the previous year. In the four weeks ending September 18, slaughter averaged 105,000 head per week or 30% lower than a year ago. Demand for young animals is through the roof, evidenced in the all time record prices of the EYCI index. Young animal prices are now running almost 60% higher than a year ago. Moisture conditions in Australia have improved significantly and a La Nina weather pattern implies above average rainfall in the next few months. This has significantly limited the supply of cattle coming to market, especially the number of females that producers are willing to send to slaughter.

Export data reflects the shortfall in production but it also shows that the Chinese decision to delist some major plants has significantly rearranged the flow of products vs. last year. Total Australian beef exports in August were 78,021 MT, down 28,311 MT or 27% compared to a year ago. Exports to China in August were 11,722 MT, 14,339 MT or 55% lower than last year. Exports to the US were also down but not to the same extent. Total US shipments were 18,213 MT, 12% lower than last year. Exports to Japan in August were 19,661 MT, down 19% while exports to S. Korea at 12,967 MT were about steady compared to last year. So far in Sep-

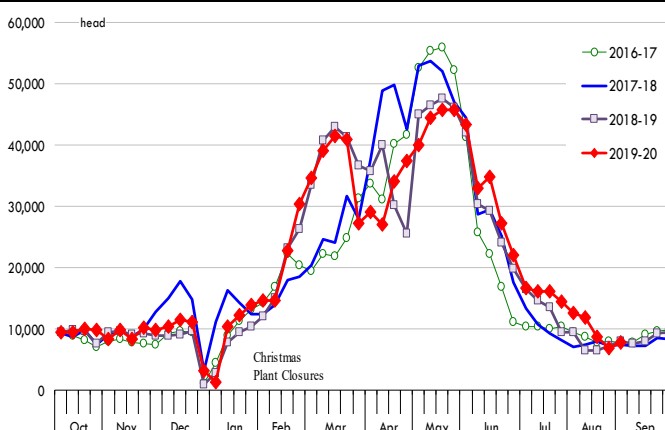
New Zealand Weekly Bull Slaughter

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



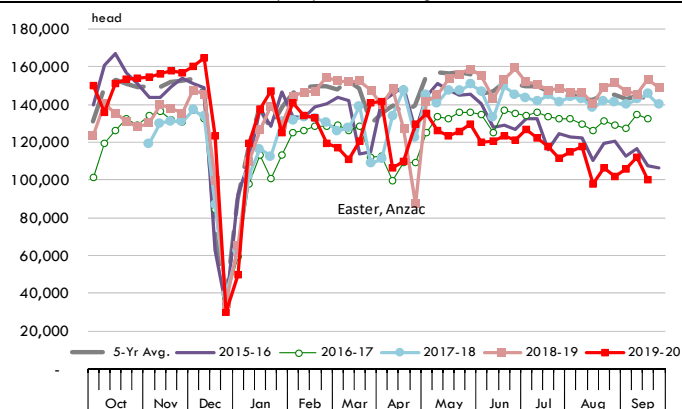
New Zealand Weekly Cow Slaughter

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



tember exports are on track to be down about 25% compared to last year. Exports to the US in September are expected to be down 8% vs. a year ago but similar to Au-

Oceania Statistics

gust shipments. Exports to China showed some improvement compared to August but they are still expected to be about 40% lower than a year ago. The Australian dollar has lost some ground against the US currency in recent days as concerns mount about a second wave (or third) of corona virus. This should help bolster exports while at the same time driving beef price inflation in Australia.

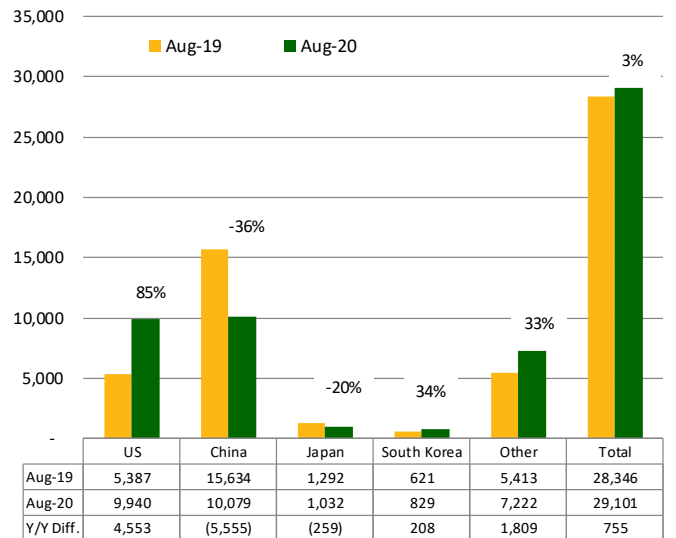
Australia Fresh/Frozen Beef Exports

Latest Data for August Units: Metric Tons



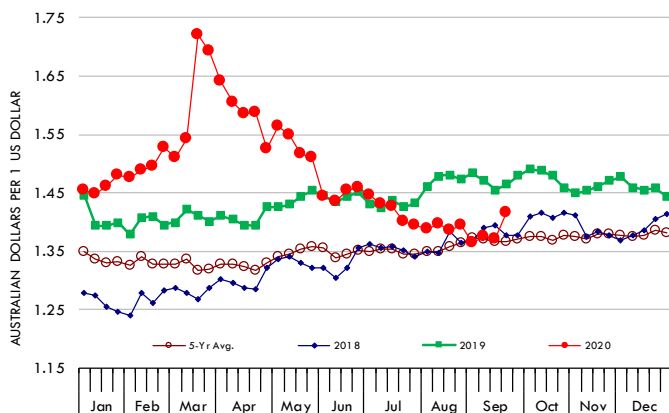
New Zealand Fresh/Frozen Beef Exports

Latest Data for August-20 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

