



Global Beef Market Monthly Review

August 4, 2022

Volume 4, Issue 5

Prepared by: Steiner Consulting Group, 800-526-4612

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Highlights:

- Drought continues to push more US beef cows to market. Cow and bull slaughter is currently running at levels that we normally see in the fall. Despite the liquidation so far, we could inventories decline further due to high feed costs and lack of forage this coming winter.
- South American beef exports have exploded, in part because China is looking to refill its pipeline. What stands out from our recap of major exporting and importing countries is the imbalance in exports. This suggests, in our view, that more beef will be going to smaller importing countries in addition to the big five.
- Exports from Argentina were sharply higher in June, but we still expect them to decline for the year.
- Brazil is expected to export 15.5% more beef in 2022 than the previous year. It should be noted that last year Brazil's exports were curtailed by BSE and Chinese suspension. The recovery in Brazilian exports is a big part of the reason for the increase in exportable supply this year.
- New Zealand continues to ship more beef to China, which could represent about 44% of New Zealand export share in 2022. US market share continues to shrink, especially as more volume is now going to Japan and S. Korea.
- China beef imports ballooned in June, up 43% y/y. Likely making up for the lack of imports seen January-April due to COVID lockdowns.

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

Data sources: Various. Analysis and Forecasts by Steiner Consulting

Countries	% of global trade	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2021	2022 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS					4,620,046	4,893,291	273,245	6%	
Australia	11%	Jun 2022	79,553	6,002	8%	887,678	945,377	57,699	7%
Argentina	6%	Jun 2022	56,341	20,101	55%	568,445	539,175	-29,270	-5%
New Zealand	6%	Jun 2022	48,071	-3,328	-6%	501,706	488,160	-13,546	-3%
Brazil	20%	Jun 2022	152,657	12,341	9%	1,560,203	1,802,034	241,831	16%
USA	14%	May 2022	103,327	1,605	2%	1,102,015	1,118,545	16,530	1%
IMPORTS					4,707,748	4,827,901	120,153	3%	
USA	15%	May 2022	92,466	6,817	8%	1,055,495	1,127,269	71,774	7%
China	30%	Jun 2022	229,751	68,697	43%	2,331,667	2,429,597	97,930	4%
Hong Kong	4%	Jun 2022	5,249	-16,156	-75%	262,288	215,076	-47,212	-18%
Japan	8%	Jun 2022	57,698	5,454	10%	584,784	591,915	7,132	1%
S. Korea	6%	Jun 2022	36,569	-6,967	-16%	473,514	464,044	-9,470	-2%

*** Product wt. basis. Projections for 2022 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 98.8 million head, 2 million head or 2% lower than the previous year. While COVID disruptions kept inventory levels flat in 2020 despite a smaller calf crop, it appears that the steady decline in the breeding herd and slaughter returning to normal levels is quickly impacting cattle supplies. This is the smallest July 1 cattle inventory since 2016 (our estimate as USDA did not produce a report in 2016).

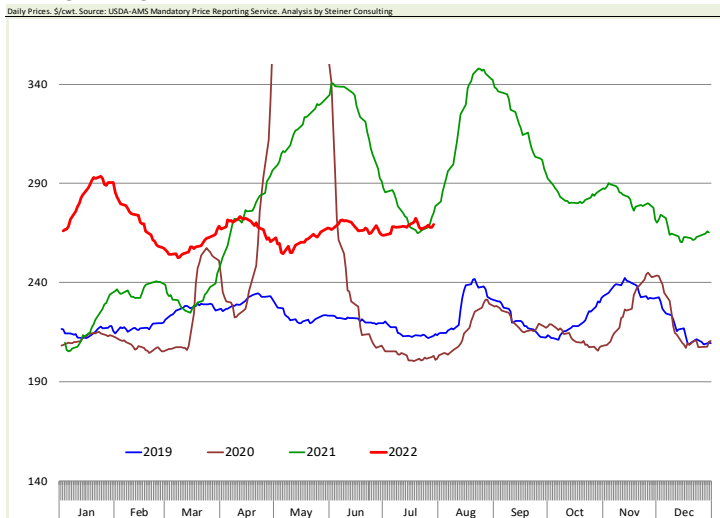
Drought and higher feed costs have negatively impacted cow-calf producers across Central and Southern US. The beef cow herd on July 1 was estimated at 30.35 million head, down 750k head compared to the previous year and now down 2.1 million head since July 1, 2018. The inventory decline was not as big as previously feared but one should remember that USDA tends to revise the July number in the January report. The smaller beef cow inventories almost assure that we will get a smaller calf crop this year and very likely a smaller crop in 2023 as well.

The calf crop in the last two years has been down but not as much as earlier estimates suggested. However, the decline in the beef cow herd implies steeper declines. USDA is forecasting this year’s calf crop at 34.6 million head, 485k head or 1.4% smaller than the previous year. This is a bit higher than pre-report estimates and may temper some of the more bullish outlook for cattle prices for second half of 2023. But the long range outlook still points to tighter cattle supplies in the next 2-3 years, possibly even longer into the future. The reason why we think the calf crop will be down again next year is because the beef cow herd will likely decline further. Producers are sending more female calves to slaughter and combined with ongoing liquidation this sets the stage for further herd declines. Producers indicated that they expect to retain only 4.150 million head of heifers for beef cow replacement, this was down 150k head or 3.5% compared to last year and the smallest beef cow replacement number on record, even lower than the replacement numbers in 2011 and 2012.

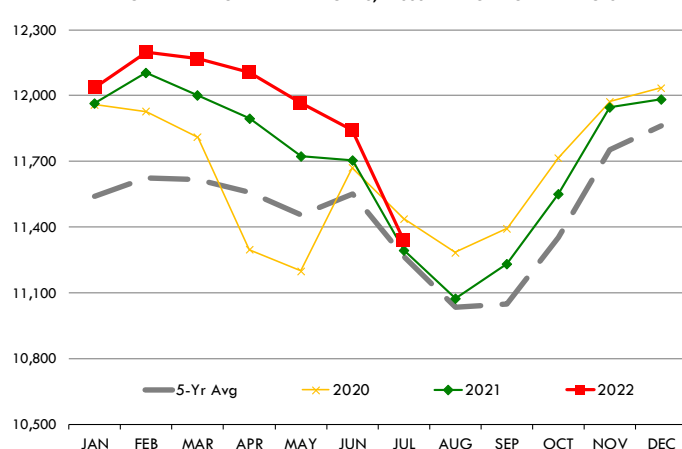
Dairy cow inventory on July 1 was estimated at 9.45 million head, down 50k head or 0.5% lower than a year ago. This was on the high side of pre-report estimates but consistent with the monthly reported figure. Heifers held back for dairy cow replacement were 3.750 million head, down 1.3% compared to a year ago.

Mexico: It has been a lot time since we have seen any significant variation in Mexican beef production. Prices have fol-

Beef Choice Cutout Value



MONTHLY FED CATTLE INVENTORIES, +1000 HEAD CAPACITY FEEDLOTS



lowed a similar trend for years and this year is no different. June production was higher than in April and May and at 181,680 MT it was also 2.3% higher than the previous year. In the first six months of the year Mexican beef production was 2.1% above last year, in line with forecasts.

Strong demand in export markets and consumers trading down to less expensive proteins has resulted in robust export numbers. In May total shipments of fresh/frozen beef were 30,497 MT (product wt. basis), 23% higher than the previous year. The US market remains the main market for Mexican beef, with a mix of beef cuts and trim coming north. Total shipments to the US were 25,207 MT, 4,563 MT or 22% higher than the previous year. Japan remains the second largest market, taking 3,435 MT in May, 51% more than the previous year. The data we have for Japan does not seem to be exact, seems Mexico was reporting a significant volume of beef as unidentified destination but now much of that is recorded as destined for Japan. Shipments to Canada and South Korea

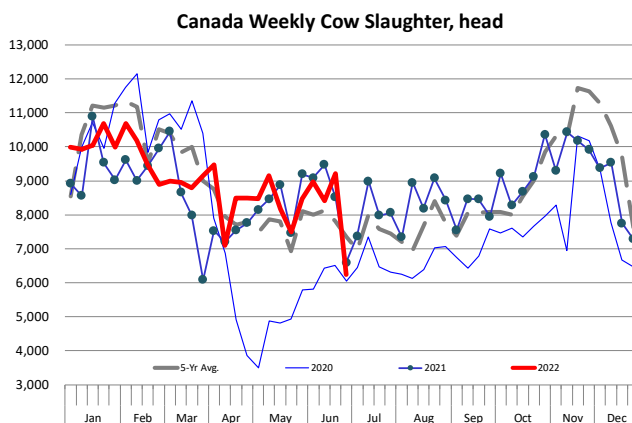
North America (continued)

remain under 1000 MT a month and in the first five months have been 2,628 MT and 2,120 MT, respectively. Our current forecast is for Mexican shipments to be up 10% compared to a year ago.

Canada: Canadian slaughter numbers were lower in late June and July and the decline was entirely driven by fewer fed cattle coming to market. In the four weeks ending July 23 total Canadian cattle slaughter averaged 61,069 head/week, 6.9% lower than the previous year. Fed cattle slaughter during this time averaged 52,972 head/week, down 4,500 head per week or 7.8% from the same period last year. Non-fed slaughter during this period averaged 7,800 head/week, 1% higher than the previous year.

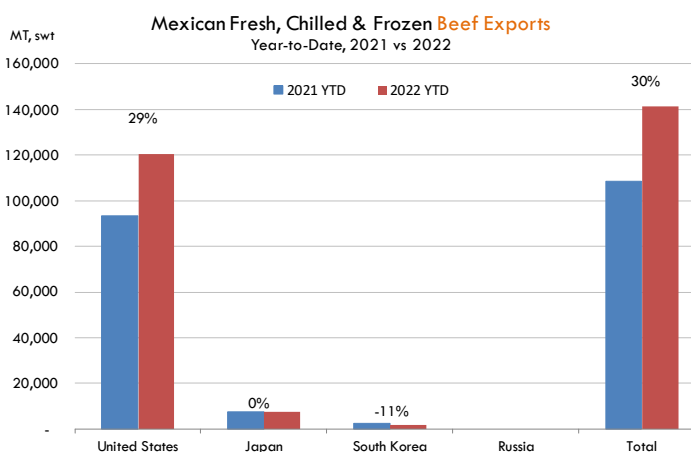
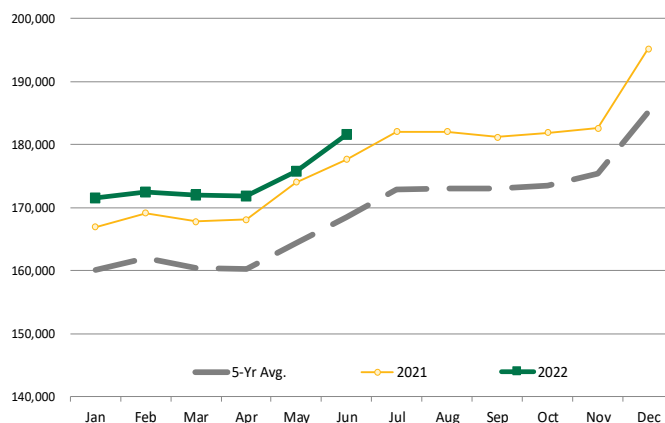
Canadian feedlots were able to get a bit more current during June as the marketing rate for the month was 17% higher than the previous year while placements declined 21% from the previous year. It is not unusual for placements to be down in the summer as cow-calf pairs are on pasture. However, the moisture situation this year has been much better than a year ago, allowing producers to add pounds outside the feedlot. As of July 1, the inventory of cattle on feed in Alberta and Saskatchewan lots was 938,624 head, 5% higher than a year ago. On June 1 the inventory was up 10% y/y.

Canadian trade statistics are reported with a lag. Beef imports in June were 11,370 MT, 17% higher than the previous year. Imports from the US, the biggest supplier were up 3% imports from Australia more than doubled and imports from New Zealand were 63% higher than the limited volume imported a year ago.



Mexico Beef Production

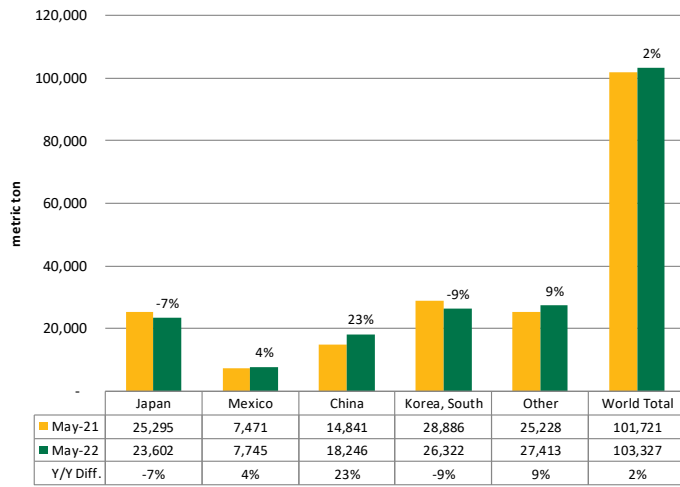
Source: SAGARPA



North America Trade Statistics

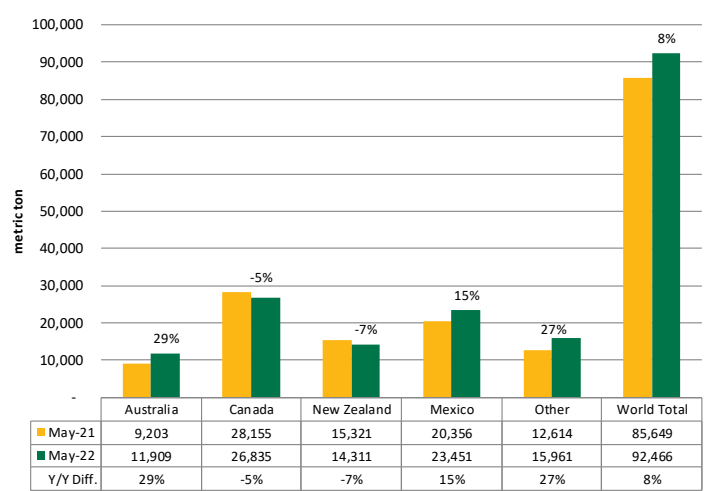
USA Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons



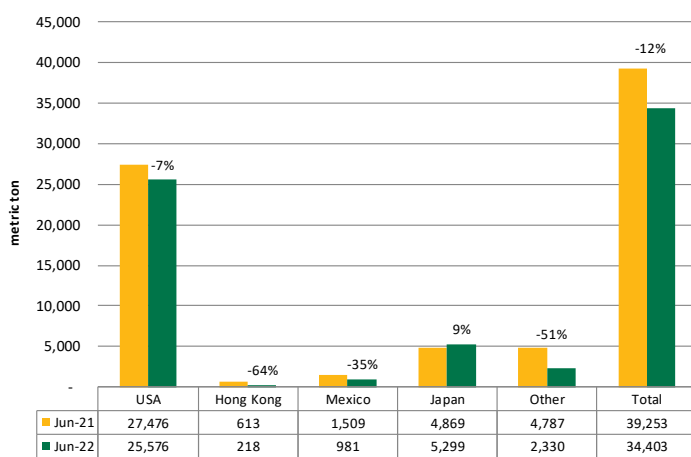
USA Fresh/Frozen Beef Imports

Latest Data for May Units: Metric Tons



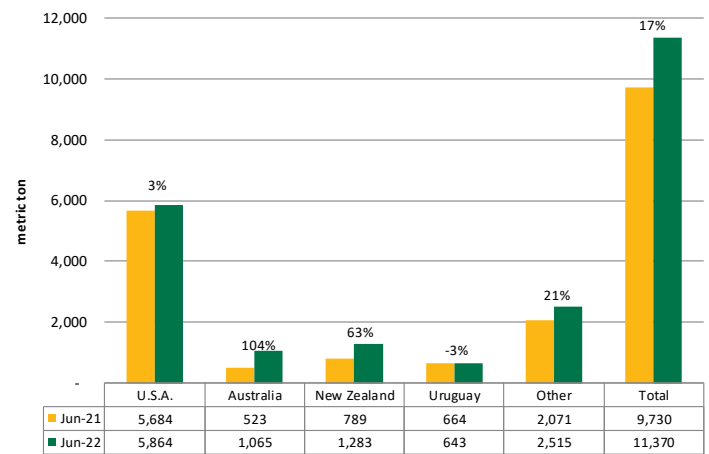
Canada Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons



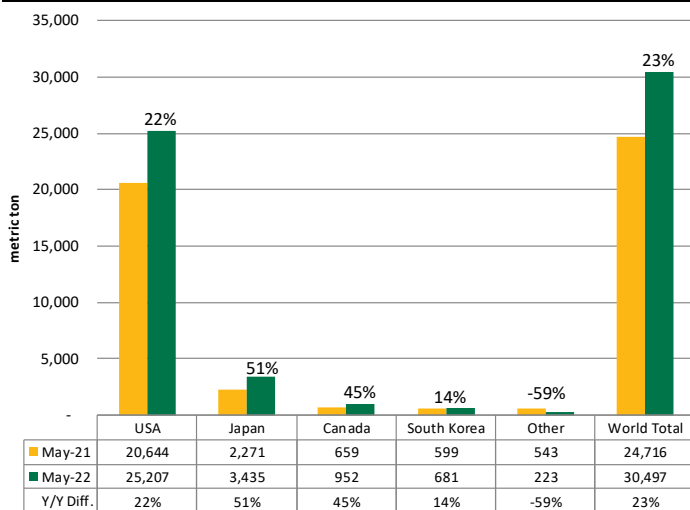
Canada Fresh/Frozen Beef Imports

Latest Data for June Units: Metric Tons



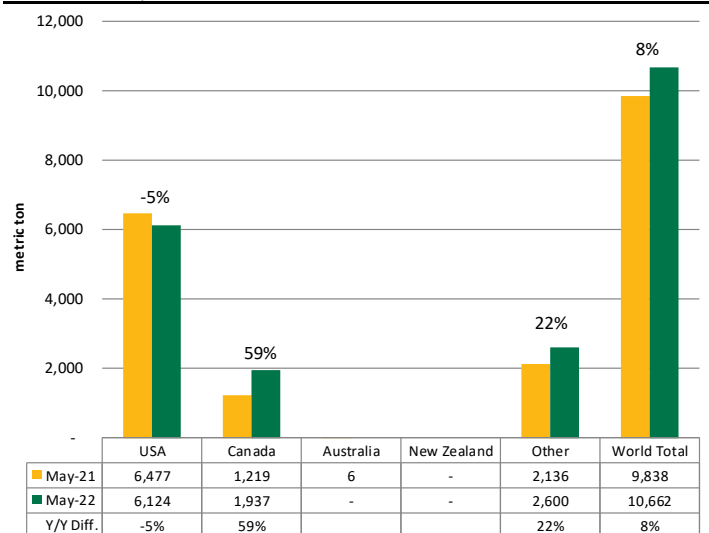
Mexico Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons



Mexico Fresh/Frozen Beef Imports

Latest Data for May Units: Metric Tons



South America Market Update

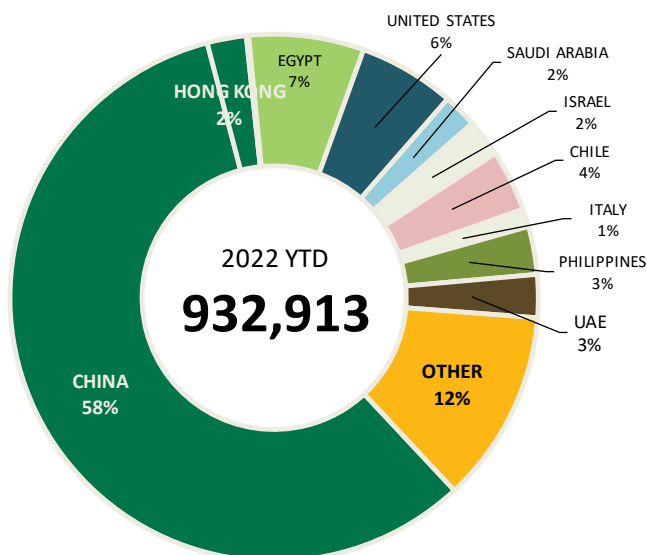
Brazil: Brazilian production picked up in May and June and this has been reflected in the volume of exports during the past two months. China has been the beneficiary, and in a way a driver, of the surge in production. Cattle slaughter for May and June averaged over 21% compared to a year ago. The comparison is skewed a bit by the negative impact of COVID disruptions a year ago. In the first six months of the year Brazilian cattle slaughter was estimated to be 13% higher than the previous year. USDA in April estimated Brazilian cattle slaughter for the year to be up 3.8% from a year ago but we suspect there will be a notable revision to that forecast when new projections are issued in a couple of months.

The increase in slaughter continues to bolster Brazilian exports and, barring another disruptive event like BSE last year, exports are currently on track to be record large and up by double digits compared to a year ago. June shipments of fresh/frozen beef were 152,657 MT, 9% higher than the previous year. Most of the increase went to China. Shipments to Mainland China were 102,619 MT, 25% higher than a year ago and representing 67% of all exports. While shipments to Hong Kong now represent a very small part of the export picture, when combined with exports to the Mainland it means that 70% of all Brazilian shipments go to China. Exports to the US market were 3,987 MT, about the same as a year ago. Our current projection is for Brazilian beef exports to increase by 20% compared to a year ago.

Argentina: As Chinese beef demand recovers, it appears Argentina is the first place that Chinese buyers are going to. The ever weakening Peso has helped the process and the export restrictions in place have done little to curtail export demand. June slaughter was estimated at 1.119 million head, up 2.8% from the previous year. Slaughter has been over 1 million head in 5 of the last six months and year to date slaughter is up 1.2% from a year ago. Exports increased at a faster pace, suggesting that a larger share of the beef supply is going into export channels. Exports of fresh/frozen beef in June were 56,341 MT, a 55% jump compared to year ago levels. And most of the 20,000 MT increase in exports went to China. Total shipments to the Chinese market were 46,468 MT, 18,308 MT or 65% higher than a year ago. In June China accounted for 82% of all Argentinian beef exports. Exports to the US market remain limited and so far within the quota limited. In June shipments to the US were 1,759 MT, 22% higher than a year ago. In the first six months of the year total shipments to the US were 9,540 MT, 37% above last year but less than half of the quota available. USDA had initially forecast

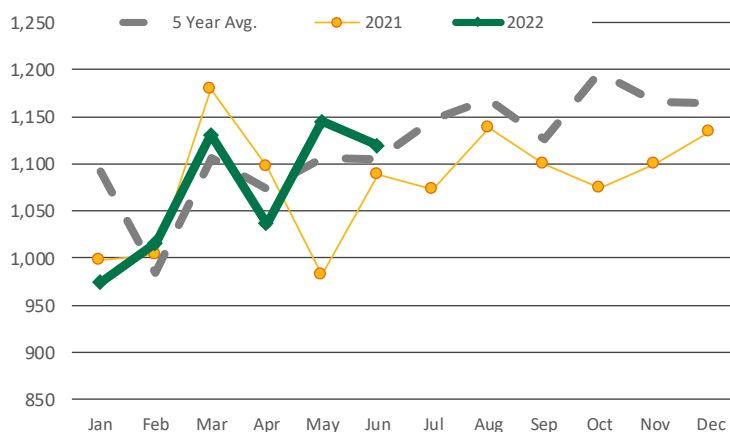
YTD Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Jun



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: MAGYP. Analysis by Steiner Consulting



Argentinian exports to be down 5% from last year. Our current estimate is for exports to be down only 1.5% y/y.

Uruguay: Cattle slaughter declined sharply in June and July, which in turn has impacted the volume of beef going into export markets. We can't say that we are surprised by the pull-back although we did not anticipate that slaughter would decline below the five year average. During Jan-mid May total slaughter was over 1 million head, 117k head or 13% higher than the previous year. In the four weeks ending July 23 slaughter averaged 35,255 head/week, 33% lower than the previous year and also 22% lower than the five year average. Steer slaughter during this period was down 26% y/y while

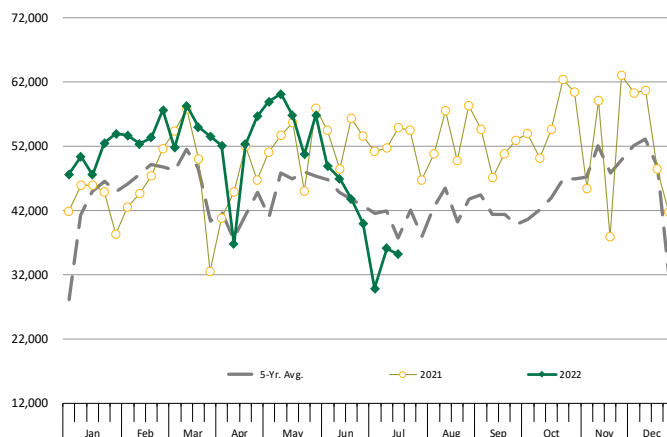
South America (continued)

cow slaughter was down 43%. Expectations are for slaughter to run around current levels in the near term but improve by late September.

The decline in slaughter negatively impacted exports in June but the real impact in our view was in July and we expect a significant decline to most markets when the data is published. In June total exports were down 4% from the previous year. China remains the top market for Uruguayan beef and June shipments still managed to register a small increase. Exports to the US market at 4,930 MT were higher than the previous year as well but shipments to other key markets were down by double digits.

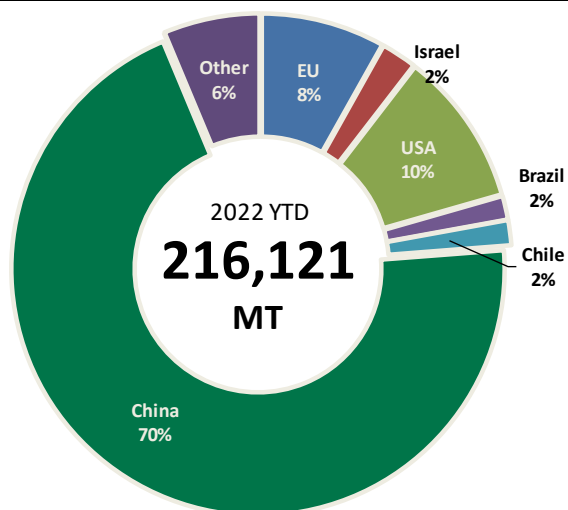
Uruguay Cattle Slaughter, Total

Weekly Slaughter in Head. Source: World Beef Report



YTD Uruguayan Exports of Fresh/Frozen Beef. Top Markets

Source: World Beef Report. Analysis by Steiner Consulting

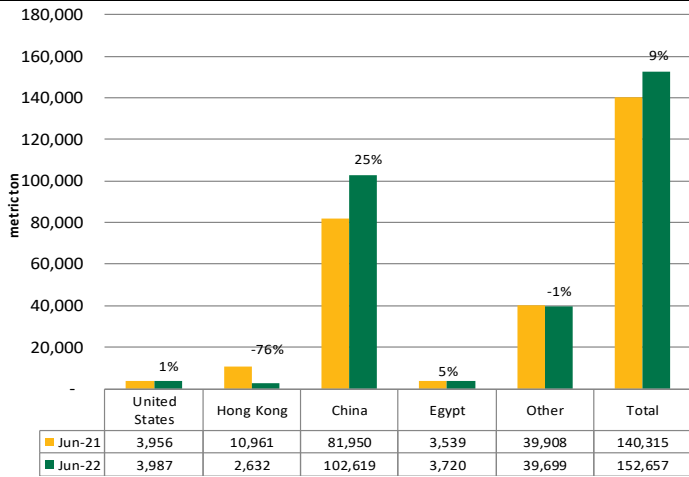


South America Trade Statistics

Brazil Fresh/Frozen Beef Exports in June 2022 vs. June 2021

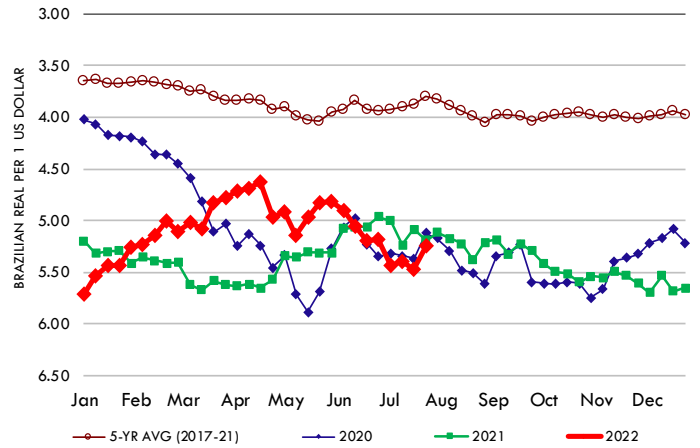
Analysis by Steiner Consulting

Units: Metric Tons



Brazilian Real Per 1 US Dollar

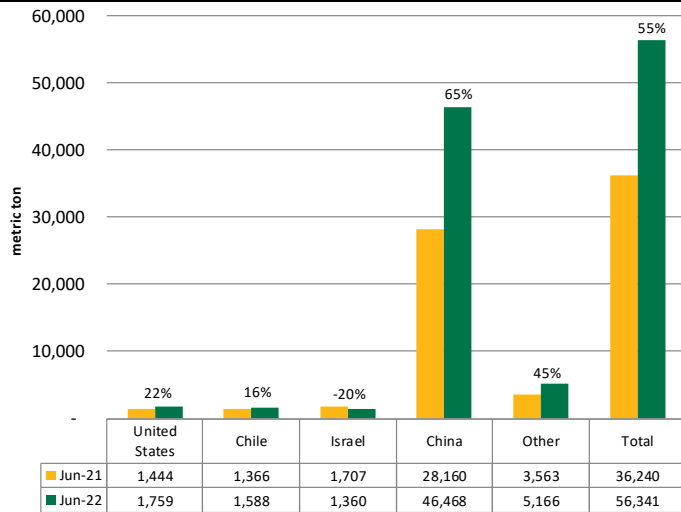
Yr Comparison of Weekly Exchange Rate



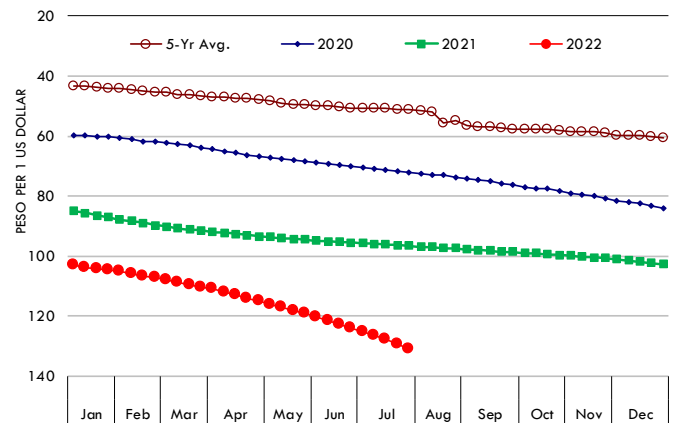
Argentina Fresh/Frozen Beef Exports

Latest Data for June

Units: Metric Tons



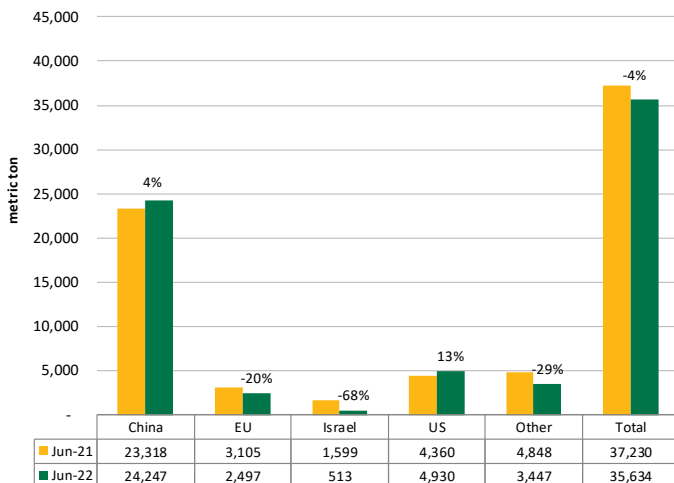
Argentine Peso Per 1 US Dollar



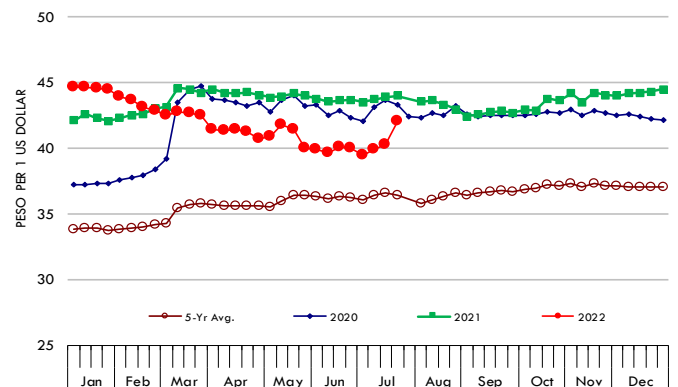
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Jun 2022

Units: Metric Tons



Uruguay Peso Per 1 US Dollar

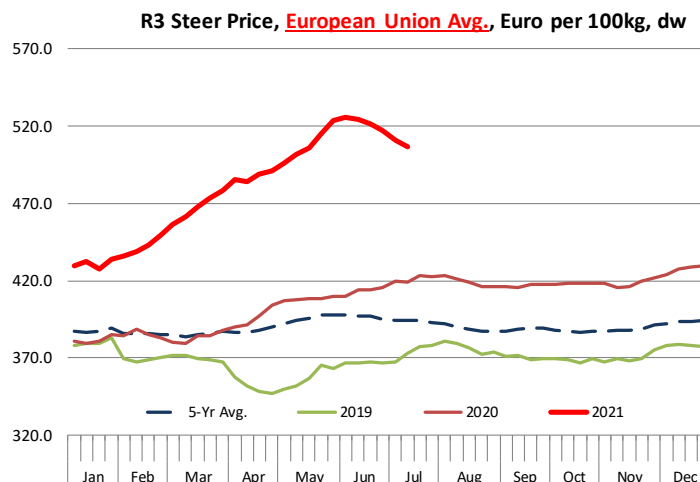


Asia / EU Market Update

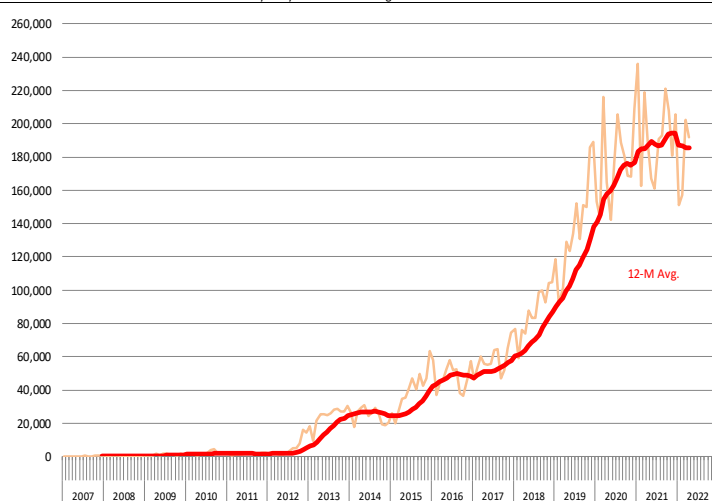
European Union: Irish cow slaughter tends to decline during the summer months as cow-calf pairs are out on pasture. We expect to see the normal decline in cow slaughter take place again this year. For the week ending July 24 slaughter was 7,826 head, down from almost 9,000 during the last week of June and also slightly lower than the previous year. We would expect cow slaughter to drop under 6,000 head in August, especially considering the strong slaughter pace earlier in the year and the recent decline in price. Total weekly cow slaughter since the start of the year has been 229,633 head, up 34,473 head or 18% higher than the previous year. Total Irish cattle slaughter for the reference period has been near 1 million head, up 90k head or 9.9% higher than the previous year.

Cattle prices in Ireland and around the EU have come under some pressure recently. This is not unexpected considering the big jump that took place this past spring. Similar to the US, as countries opened up their economies following COVID, there was a lot of pent up demand and the need to refill the pipeline. Demand has far outpaced supply this year but that seems to be changing. Cow, steer and bull prices have all declined in the last 4-6 weeks. The average EU R3 price for the week ending June 10 was 506.4 euro/100kg, down 4% compared to early June but still 21% higher than a year ago. Irish steer prices have declined 5.6% during this period but still 18% higher than a year ago. High prices in other markets and the lack of quota have significantly impacted the supply of Irish beef coming to the US. In May US imports of Irish beef were just 132 MT compared to 735 MT in March.

China: Chinese beef import demand has started to recover and, based on the pace of shipments from South American supplying countries, Chinese imports will post strong growth numbers in July and August. Imports of fresh/frozen beef in June were 229,751 MT, almost 69k MT or 43% higher than the previous year. The increase helped offset much of the decline we saw in the first four months of the year. For the entire first half of the year Chinese beef imports were 1.152 million MT, 2% higher than the previous year. Our current forecast is for Chinese imports to increase 4% for the year. This is a forecast that we are in the process of reviewing and we think odds are we will see upward revisions to that forecast in the next two months, especially if current export pace from Brazil and Argentina is sustained. Most of the increase in imports in June was due to higher Brazilian beef imports but higher imports from Uruguay as well as Australia were registered. The US remains a significant supplier, with total imports in June at 16,254 MT, up 31% from a year ago.



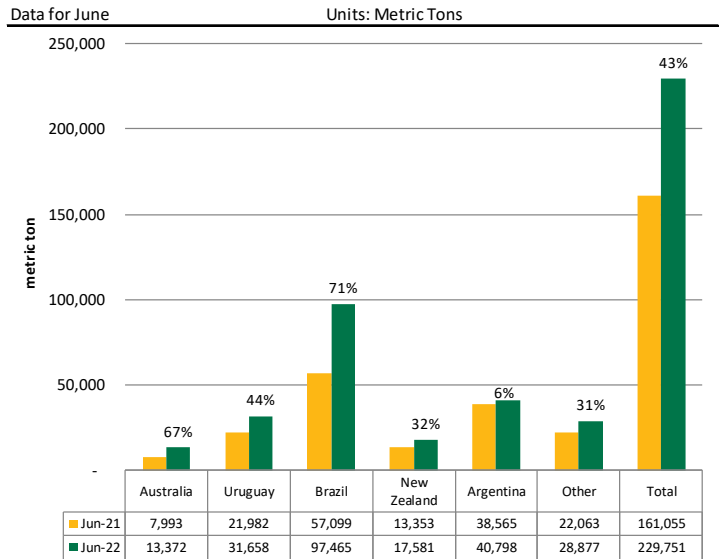
Monthly **Chinese Imports of Fresh/Frozen Beef**. Metric Ton. Product Weight Basis
 Data Source: China Customs Administration. Analysis by Steiner Consulting



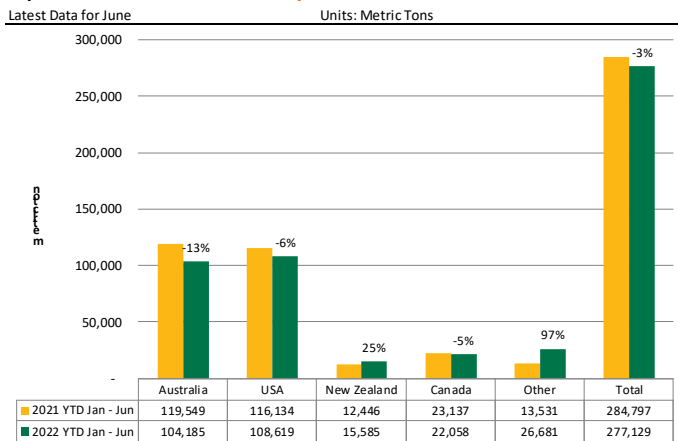
Japan: Japanese cattle slaughter in the first five months of the year was 427k head, 2.6% higher than the previous year. Slaughter of adult cattle in May was 83k, substantially higher than slaughter of Wagyu breed animals at 37k head which was 1.6% higher than a year ago. Beef imports in June were 57,698 MT, 10% higher than the previous year. This helped narrow the gap in total imports this year but they still are tracking under 2021 levels. Imports from Australia in June were 20,590 MT, 3% lower than a year ago while imports from the US at 23,079 MT were 16% higher. New Zealand and Canada are also taking a larger share of the Japanese market and we also see higher participation of smaller supplying countries, such as Mexico. Our projection is for Japanese beef imports to be up 1% this year, with New Zealand registering the biggest y/y increase.

Asia / EU Trade Statistics

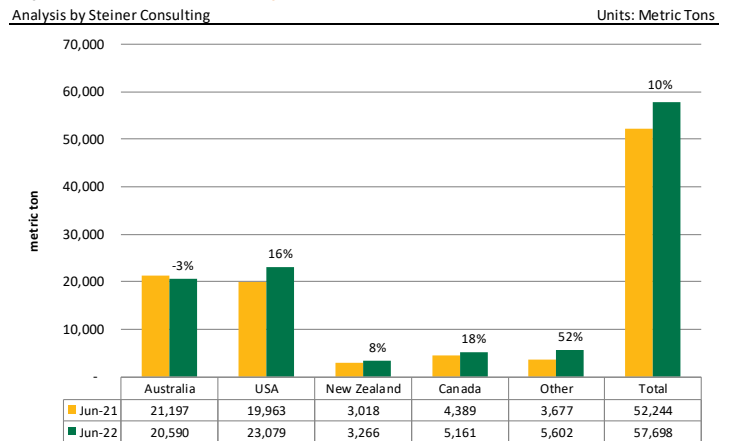
China Fresh/Frozen Beef Imports



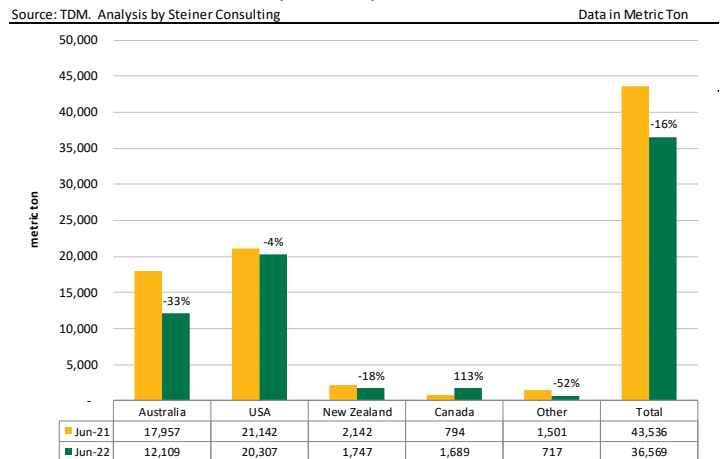
Japan Fresh/Frozen YTD Beef Imports



Japan Fresh/Frozen Beef Imports in June 2022 vs. Previous Year



South Korea Fresh/Frozen Beef Imports in May 2022 vs. Previous Year



Oceania Update

New Zealand: While cattle slaughter will decline as it normally does during Jul-Sep, we expect slaughter will be above year ago levels during this period. COVID related disruptions impacted the flow of cull cows to market during Mar-May and some of those cattle will continue to flow through. Total slaughter in the four weeks ending July 9 averaged 58,384 head/week, 15% higher than the previous year. Bull slaughter during this period averaged 8,821 head/week, 26% higher than last year while cow slaughter at an average of 25,353 head/week was 24% higher than the previous year.

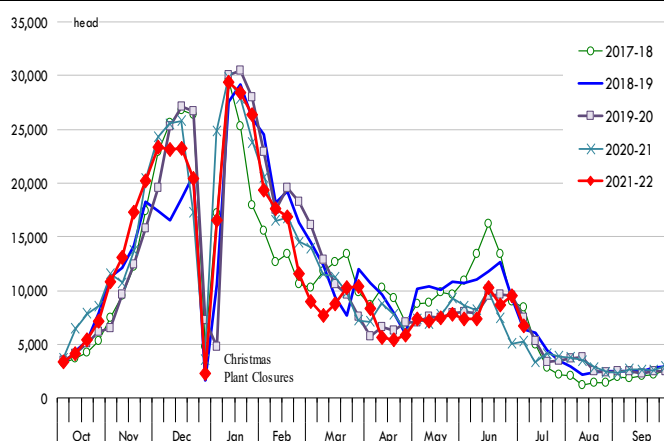
We think the increase in slaughter during July will help bolster exports but this does not necessarily mean more exports to the US. In June total New Zealand beef exports were 48,071 MT, 6% lower than a year ago. Shipments to the US were 13,971 MT, down 17% while exports to China at 21,027 MT were 2% higher than a year ago.

Australia: Slaughter numbers in Australia have started to increase while the price of cattle has come under a lot of pressure in the last month. Talk of disease risk, and more importantly the net increase in cattle inventories the last 18 months, have contributed to the price pullback. For the week ending July 31 the Eastern Young Cattle indicator averaged under \$9/kg, down 22% from the peak in early January and the lowest price since June 2021. The price levels achieved in late 2021 and early 2022 were seen as not sustainable considering the expected increase in the herd but for a while price action was quite orderly. Good feed conditions and export demand had producers confidently holding on to their stock. But in the last few weeks there has been a bit of a rush to be the first to cash out. Expectations are for slaughter to increase in the last quarter of the year. For the week ending July 22 slaughter was a little over 98k head, up from an average of 94k head per week in June and 88k head per week in May.

The increase in slaughter has yet to materialize in higher exports, at least to the US market. Australian beef exports in June were almost 80k MT in June, slightly ahead of the previous month. July shipments were around 75k MT, about 6k MT less than a year ago. While exports to Asian markets were up in June, shipments to the US registered the biggest decline. Total shipments to the US market were estimated at 10,992 MT, down 21% from the previous year. July shipments were only marginally better at 11.8k MT, 15% lower than the previous year. On the other hand, exports to Japan in June were 25,606 MT, 6% higher than the previous year. July shipments to Japan were 18.6k MT, down from the levels shipped in June and 9% lower than the previous year. Exports to China have been robust despite ongoing challenges in the political relationship between the two countries. In June shipments to China were 13.6k MT, 11% higher than a year ago. In July shipments were about 1k MT lower than in

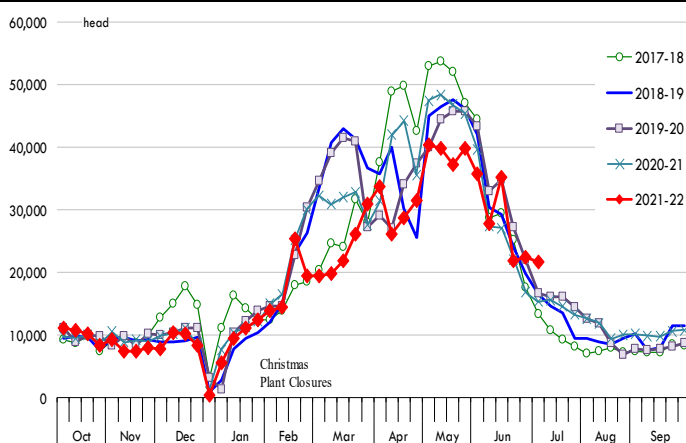
New Zealand Weekly Bull Slaughter

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



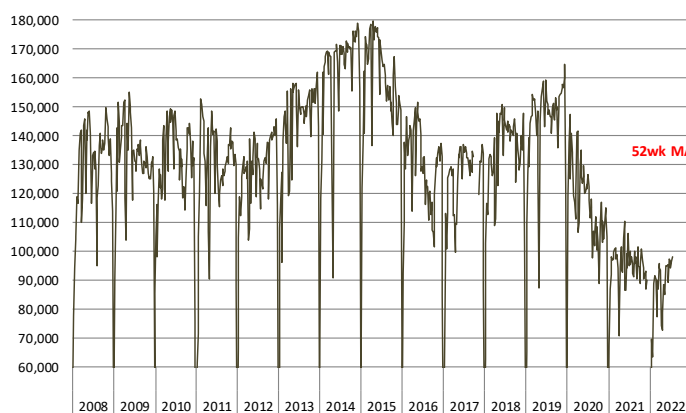
New Zealand Weekly Cow Slaughter

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



Australia Weekly Cattle Slaughter: Source MLA

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



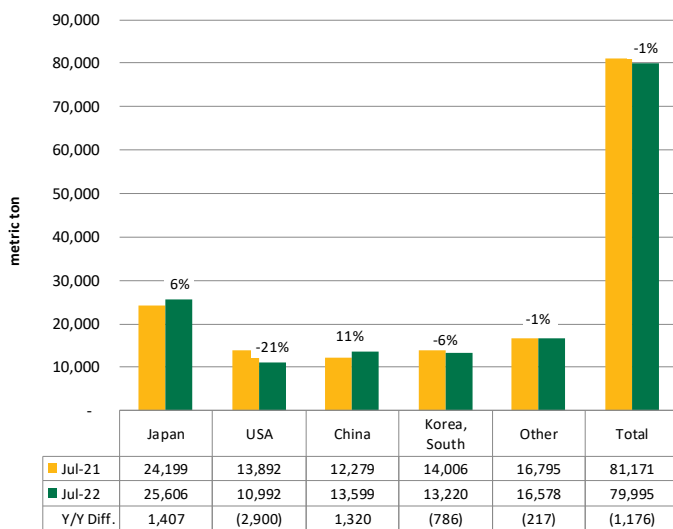
June but still 5% above last year and also higher than exports to the US.

Oceania Statistics

Australia Fresh/Frozen Beef Exports In July 2022 vs. Previous Year

Latest Data for July

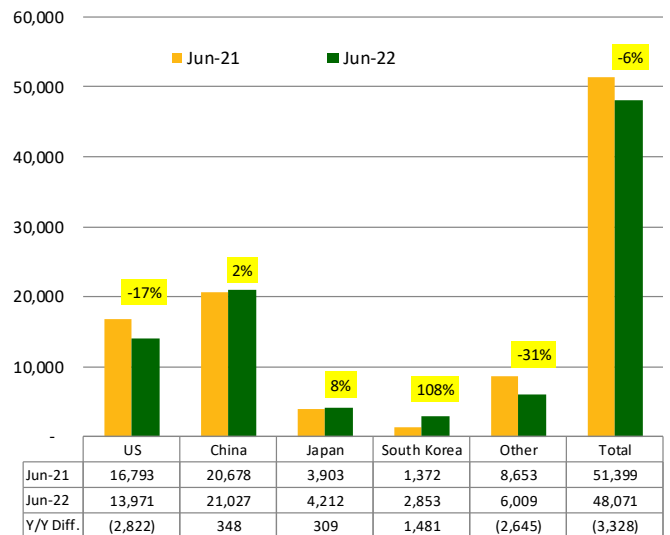
Units: Metric Tons



New Zealand Fresh/Frozen Beef Exports in June

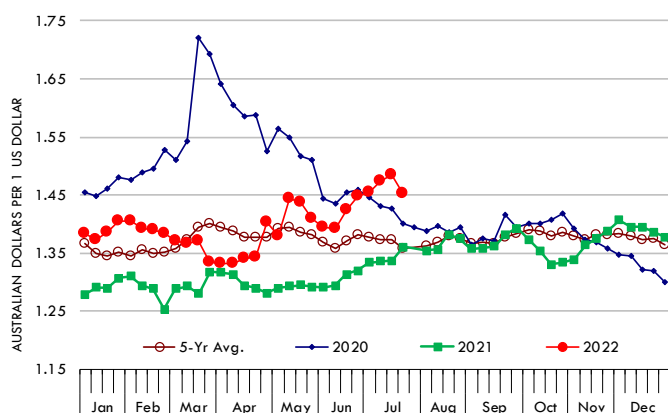
Source: Statistics NZ

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

