

Global Beef Market Monthly Review

May 2020

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Highlights:

- US and Canada cattle slaughter is slowly improving but still remains below year ago levels. Reduction in slaughter has resulted in a sharp spike in price. As supplies recover and some of the high wholesale prices filter through at retail, we should see prices quickly pull back.
- Australian supply availability is down and it is expected to decline further, especially if moisture conditions improve. The largest Australian cattle plant recently closed due to the lack of cattle. Further complicating matters is the delisting of four Australian plants by Chinese authorities.
- China beef imports have been up by more than 50% in the first four months of the year. At this time China imports are expected to be up 30% for the year but there is more downside risk to that forecast, especially if pork prices continue to drift lower.
- Brazil beef exports were higher in April and the increase was entirely due to higher exports to China. Chinese buyers have largely focused on filling needs in South America, taking advantage of the weak local currencies and lower beef prices.
- Uruguay slaughter was sharply lower in late March and April, resulting in a 50% reduction in April beef exports. Slaughter is slowly increasing but still remains under year ago.

Trade Update for Key Global Players

Main Global Meat Trading Countries, Both Export and Import

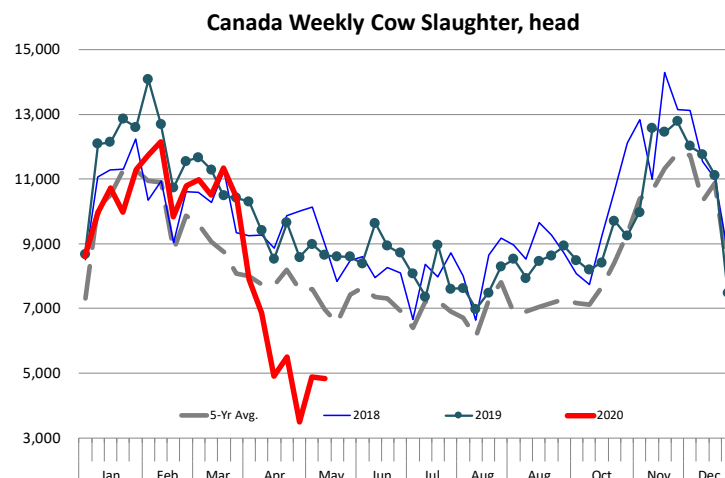
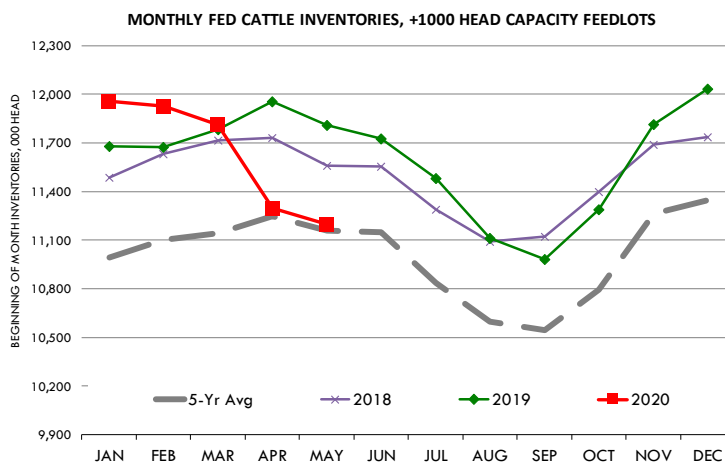
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS						4,755,890	4,880,392	124,502	3%	
Australia	19%	0%	Apr 2020	92,476	-6,171	-6%	1,228,963	1,142,936	-86,027	-7%
Argentina	2%	0%	Apr 2020	45,002	6,916	18%	566,272	611,574	45,302	8%
New Zealand	7%	0%	Apr 2020	42,932	-1,481	-3%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Apr 2020	116,296	6,492	6%	1,535,091	1,680,924	145,834	10%
USA	11%		Mar 2020	84,821	6,441	8%	961,419	985,454	24,035	2%
IMPORTS						3,900,668	4,411,212	510,544	13%	
USA		20%	Mar 2020	97,371	10,606	12%	976,446	1,020,386	43,940	4%
China	0%	9%	Apr-20	164,971	36,051	28%	1,657,151	2,154,297	497,145	30%
Hong Kong			Mar 2020	25,902	-9,069	-26%	364,920	310,182	-54,738	-15%
Japan	0%	9%	Mar 2020	47,599	8,377	21%	615,381	633,842	18,461	3%
Russia	0%	8%	Mar 2020	25,882	564	2%	286,770	292,505	5,735	2%

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

North America Market Update

United States: US cattle slaughter last week was estimated at 555k head, 27% higher than three weeks ago but still 14% lower than last year. Hog slaughter was estimated at 2.130 million head, 38% higher than three weeks ago but still 8% lower than last year. Broiler slaughter is only a couple of percentage points under last year's levels. All major beef, pork and broiler slaughter plants are currently operational. Even some of the plants that were closed for a couple of weeks in April and early May are now back to over 70% capacity. However, a number of plants have just come out of testing all their employees, finding many that were infected but asymptomatic. Those employees have to quarantine before going back to work. Some plants have also allowed workers considered high risk to stay home with pay until June 1. This means that even though plants are operational and harvesting livestock and poultry, meat production remains below year ago levels. There are also significant bottlenecks in fabrication lines due to lack of labor and the increase in spacing of employees.

On May 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.200 million head, 5.1% lower than a year ago. Analysts on average were expecting the inventory to be 5% lower. The inventory of cattle on feed is substantially lower than a year ago even as there is a notable backup of cattle both in and outside feedlots. Faced with deteriorating margins, and uncertain forward demand, feedlots sharply reduced placements in March and April. Calves that would have gone on feed during those two months were kept outside feedlots. The report also showed an increase of 10,000 head in the so called "disappearance" figure. There were no major weather issues this year so it is likely that the disappearance reflects animals that were taken out of feedlots and put in backgrounding or back on grass. The supply of cattle that on April 1 had been on feed for 120 days or more is estimated at 4.783 million head, 401k head or 9.2% higher than a year ago. The increase in supply reflects some of the backlog of cattle created by the decline in harvest capacity in April. The number of cattle that had been on feed for 150 days or more was 322k head, 12% higher than a year ago. We think that by June 1 the supply of cattle that had been on feed for 150 days or more could be close to 1 million head higher than the previous year. Cash cattle prices recovered in May but June is a delivery month for futures and the large backlog could pressure futures contracts. This helps explain the



+\$20 basis we are seeing in the market currently.

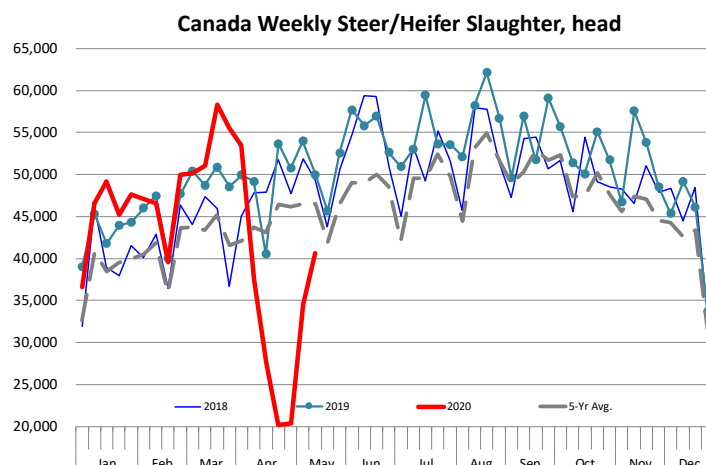
North America (continued)

Canada: Cattle slaughter in Canada has started to recover although there has been more of a push to process fed rather than non fed cattle. Faced with a sharp decline in slaughter in late April and May, and the resulting backlog of cattle on feed, there appears to be more urgency in putting fed cattle at the front of the line. Total cattle slaughter in Canada for the week ending May 16 was 45,594 head, down 22.5% from a year ago. Fed cattle slaughter for the week was 40,683 head, down 18.6% from a year ago but more than double what it was in early May. Cow slaughter for the week was 4,822 head, 44.2% lower than a year ago and only about 1000 head higher than it was in early May. Canadian cattle processing capacity is slowly recovering, especially as the two major plants in Alberta start to run second shifts, albeit below what was peak capacity in the past.

The supply of cattle in Alberta and Saskatchewan feedlots on May 1 was estimated at 1.046 million head, 4.3% higher than a year ago. Placements in April were 112,925 head, 25% lower than a year ago while marketings at just 77,253 head were down 46% from last year.

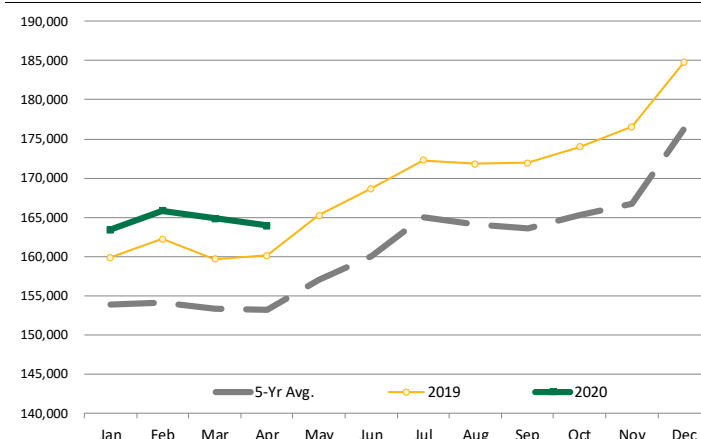
The decline in slaughter has resulted in a big jump in demand for imports. Imports from the US have quickly increased and in April were estimated at 10,527 MT, a 33% increase from April 2019. Imports from Australia in April were 2,028 MT, 28% higher than a year ago while imports from New Zealand at 1,204 MT were 55% higher than last year.

Mexico: Strong beef prices in the US continue to incentivize higher imports from Mexico and Central American countries. Year to date imports from Nicaragua are up 4,016 MT or 16% from a year ago. However, the pace of imports from Nicaragua appears to have slowed down. Weekly imports from Nicaragua in April were up 8% from the same period a year ago. May imports, however, are so far down 3% from last year. US imports from Costa Rica in April were up 124% from a year ago. So far in May, imports from this country are up 28% from a year ago. Imports from other Central American countries remain limited at this time. As for imports from Mexico, the trend has been up in the last two months as US end users are struggling to find sufficient supply. However, it remains to be seen if some of the recent interest for Mexican product is sustained. Despite the sharp discount be-



Mexico Beef Production

Source: SAGARPA

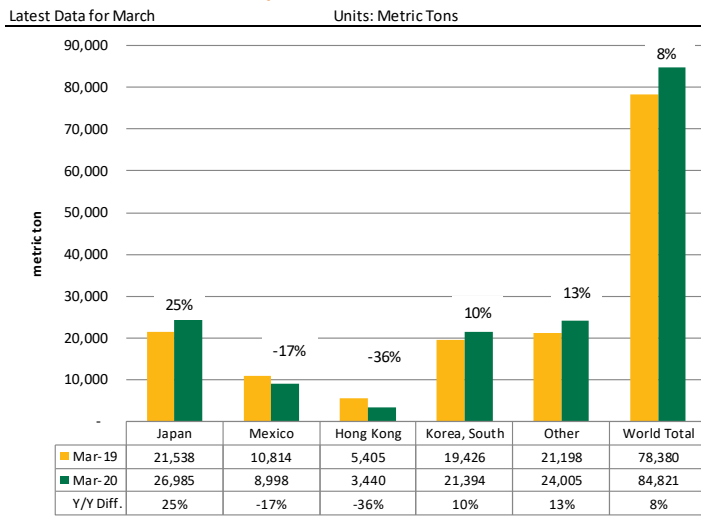


tween US and Mexican product, we still do not think that this product will find wide acceptance in the retail case. As for processors, there is always a balancing act between price and yields. US weekly beef imports from Mexico in April were up 12% from a year ago. Imports in May, however, jumped 51% as cutout values hit all time record levels.

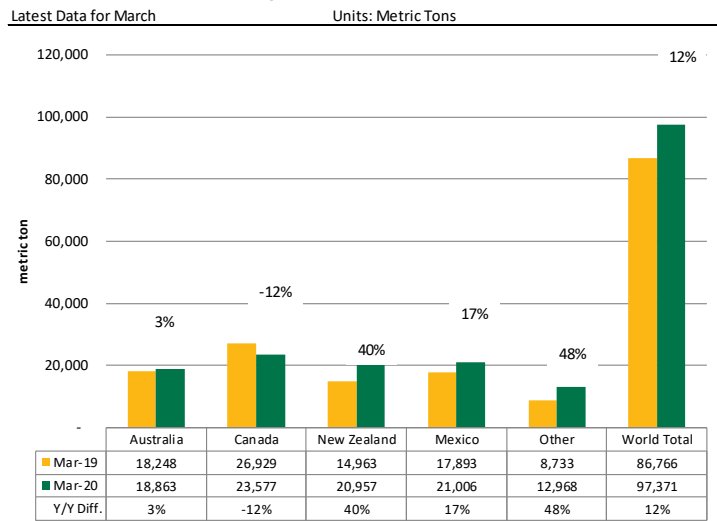
Mexico beef production in May continued to increase at a fairly steady pace. Total production was estimated at 163,942 MT, 2.4% higher than a year ago. Production in Jalisco was up 1% and production in Veracruz was only slightly higher than a year ago. The increases came mostly from smaller states, especially Coahuila, Nuevo Leon and Michoacan. The weak peso and higher prices in the US have resulted in record export revenues for Mexican packers. More recently the peso has gained thanks to the recovery in crude oil prices. Still, the value of the peso is much weaker than a year ago and even with the decline in the value of some round and chuck cuts, the US market remains especially attractive for Mexican producers.

North America Trade Statistics

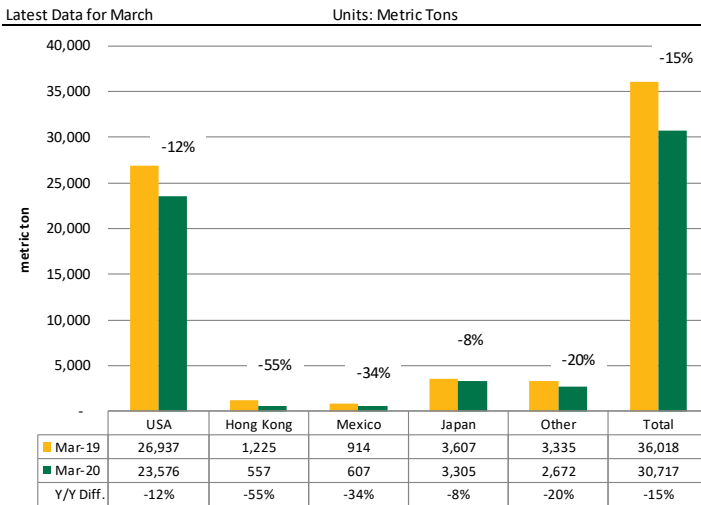
USA Fresh/Frozen Beef Exports



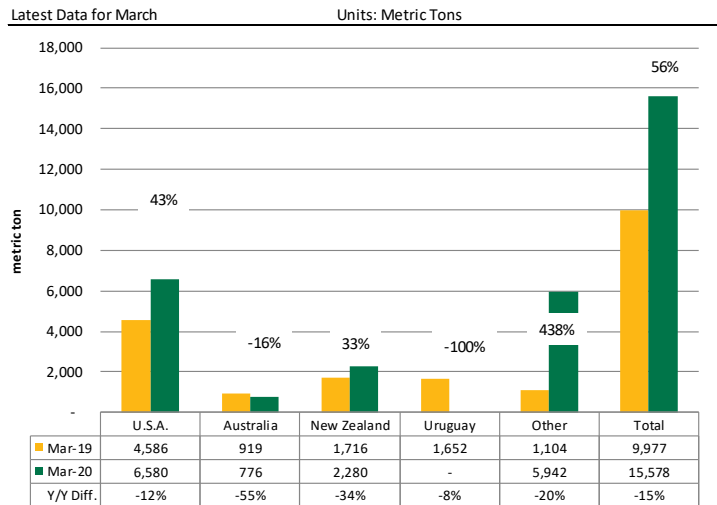
USA Fresh/Frozen Beef Imports



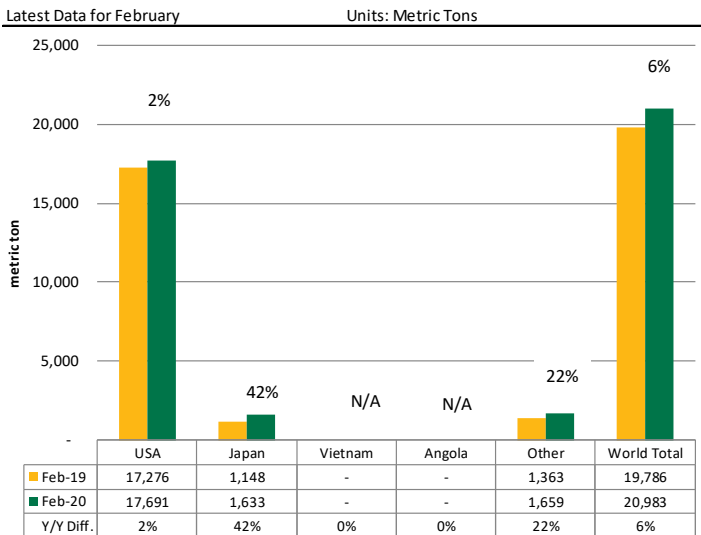
Canada Fresh/Frozen Beef Exports



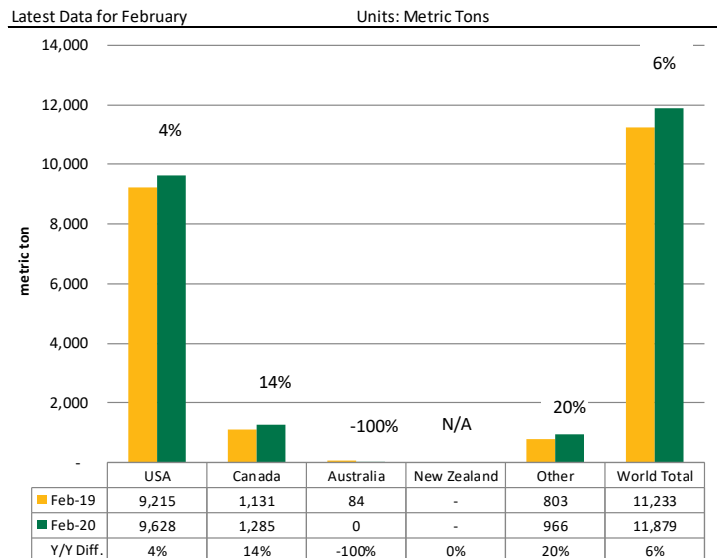
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

Brazil: While some beef exporting countries have seen a slowdown in sales to China, Brazil has benefited from both the continued depreciation in the value of the currency as well as the ability to put together significant quantities at competitive prices. Brazilian exports of fresh/frozen beef in March were 125,929 MT, 6% higher than a year ago. Strong China demand managed to pull product away from other markets, something that has been the case for much of the past 12 months. Exports to China in March were 51,865 MT, almost 27,000 MT or double year ago levels. Exports to Hong Kong were lower but the combined market share of China/Hong Kong in Brazil currently stands at 45%. Exports to Russia have been slowly increasing and in March they were 6,357 MT, 41% higher than a year ago. In the first three months of the year Brazilian beef exports to Russia were 18,379 MT, 53% higher than last year. At this time we are projecting total Brazilian beef exports for 2020 to be 6.5% higher than a year ago. In the first quarter of 2020 exports were up 5.5%. Disruptions brought about by the spread of COVID-19 will continue to present challenges for Brazilian producers. Demand in some markets remains soft but so far China demand has been much better than expected.

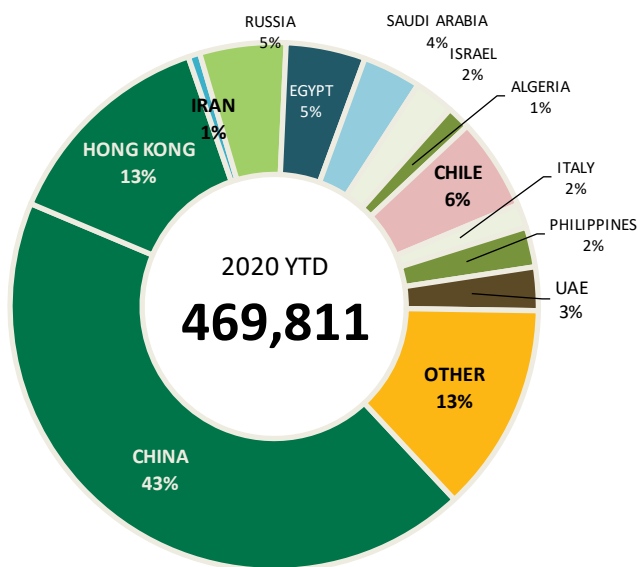
The Brazilian Real has lost significant ground in the last two months. The deterioration in economic fundamentals and ongoing political turmoil has significantly impacted the value of the Brazilian currency. The decline in the value of the Real follows similar declines in other emerging markets as global investors look to move assets into so called "safe harbors".

Argentina: Argentine beef exports continue to run above year ago levels, with China once again the catalyst for the robust export pace. Total shipments of fresh/frozen beef in April were 45,002 MT, up almost 7000 MT or 18% from a year ago. Exports to China in April accounted for 84% of overall Argentine beef exports for the month. At 37,725 MT, shipments to China were up 33% compared to the same month a year ago. The weak Peso and resurgent China demand underpinned the surge in shipments. In the first four months of the year, Argentine beef exports to China were 117,450 MT, 24% higher than a year ago. With more product going to China exports to other markets were down in April. Exports to Chile were down 27%, exports to Israel were down 2% and exports to other markets were down 29%.

There has been a notable improvement in exports

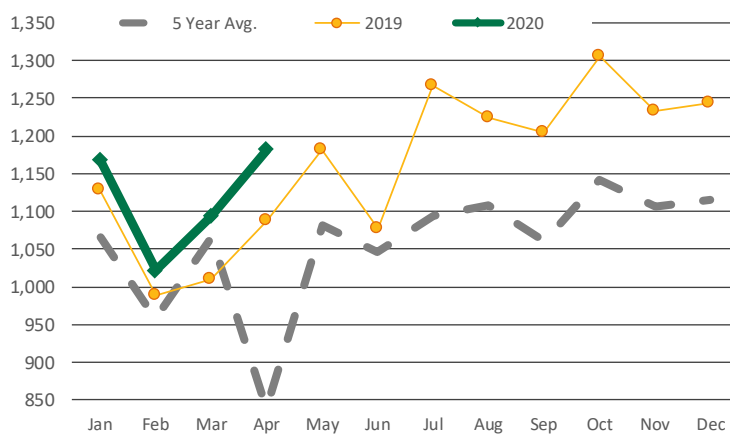
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Apr 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



to the US market, however. Total shipments of frozen beef to the US in April were 1081 MT, the highest monthly export volume since trade resumed. Argentina has a 20,000 MT quota available. Shipments in the first four months of the year were around 3,300 MT. Despite the increase in shipments, at this time it does not appear Argentina will fill its annual available quota this year.

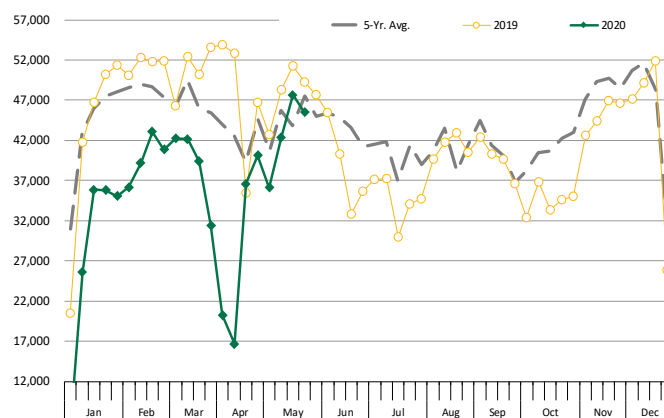
Uruguay: Last year about 40% of all Uruguayan slaughter took place between February 1 and May 31. This year a combination of weak export demand and good weather conditions limited the number of cattle going to market during this period. While slaughter has been trending higher in the last four weeks, year to date it is still 26%

South America (continued)

below year ago levels. The backlog of cattle should cause slaughter in June and July to be above both year ago and the five year average. China demand appears to have recovered compared to earlier in the year. And strong prices in the US are expected to result in higher shipments, at least through the summer. The sharp contraction in slaughter during late May and first two weeks of April resulted in a big decline in exports. Total shipments of fresh/frozen beef in April were just 15,347 MT, 53% lower than the previous year. Exports to down across the board. Shipments to China, the top market, were 14,436 MT, 35% lower than a year ago and shipments to the US at 2,545 MT were also down 35%. Exports to other markets such as EU, Russia, Brazil and Israel were quite limited. In the first four months of the year total exports were 77,120 MT (see chart for market share by country), 34% lower than a year ago. Exports to the US were 11,842 MT, 11% lower than a year ago.

Uruguay Cattle Slaughter, Total

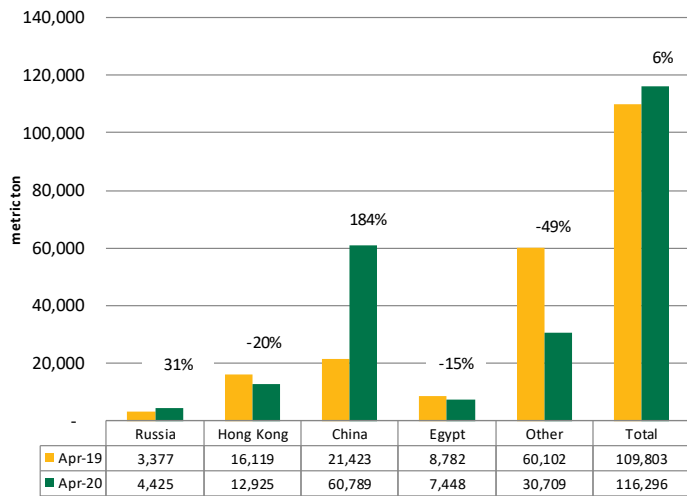
Weekly Slaughter in Head. Source: World Beef Report



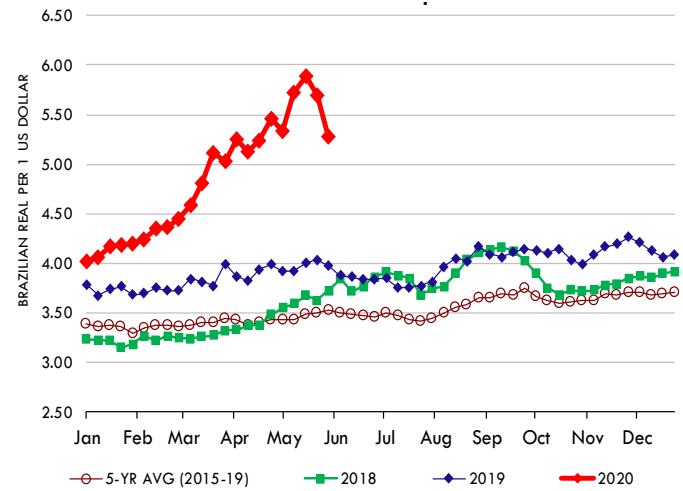
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons

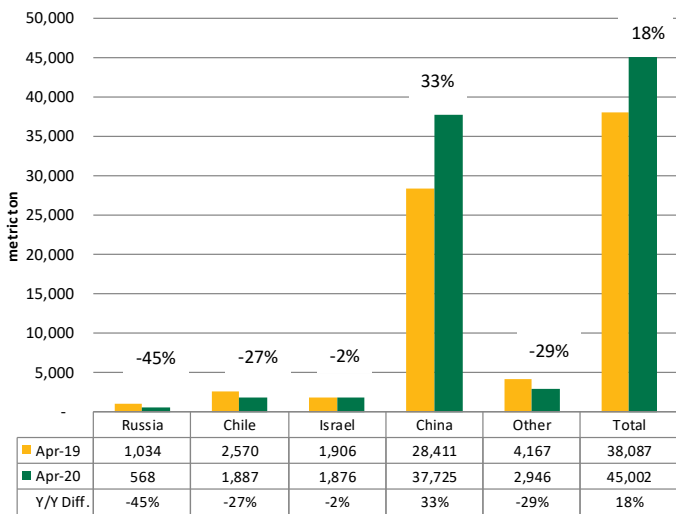


Brazilian Real Per 1 US Dollar

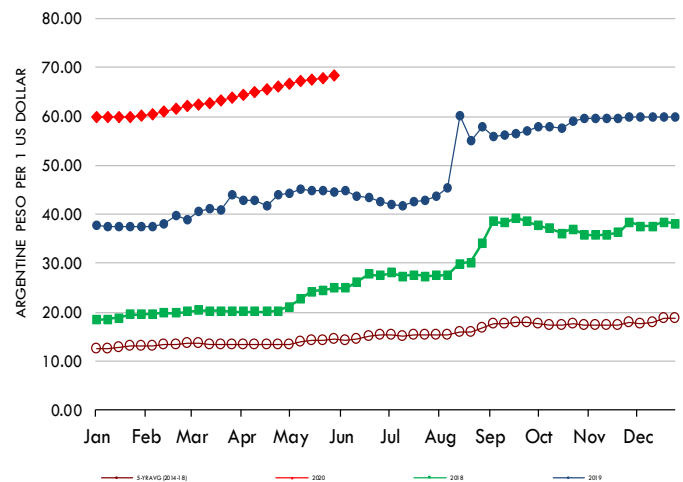


Argentina Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons

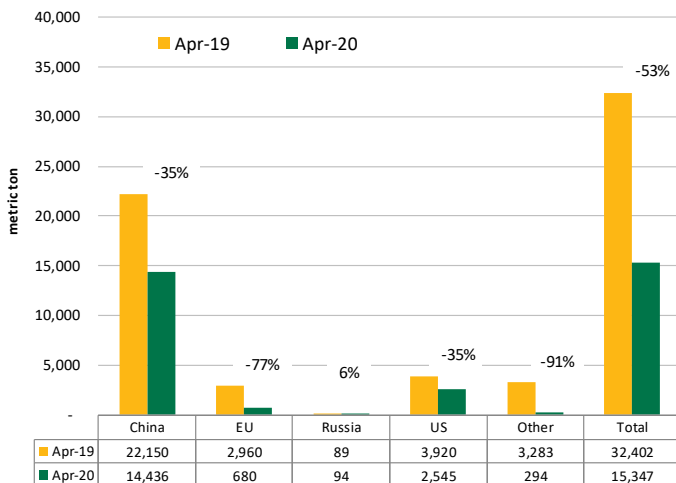


Argentine Peso Per 1 US Dollar

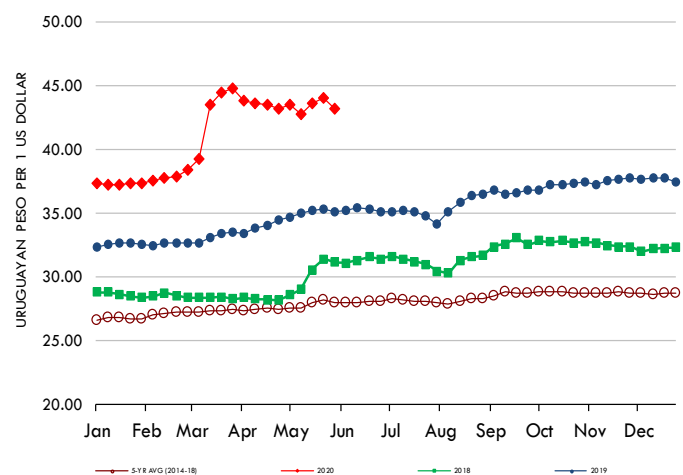


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Apr 2020 Units: Metric Tons



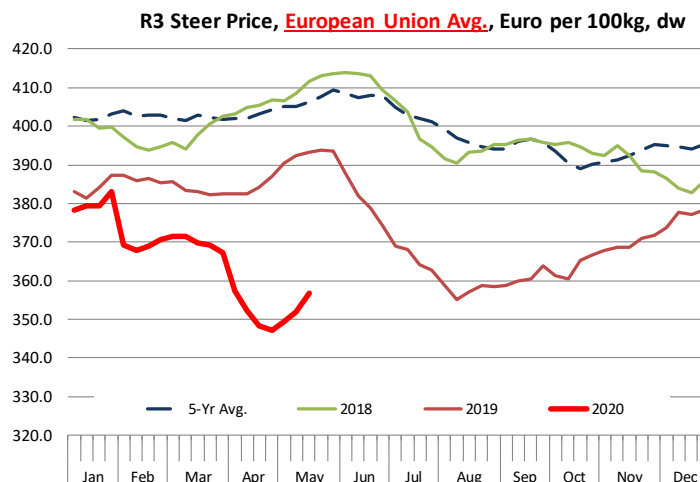
Uruguay Peso Per 1 US Dollar



Asia / EU Market Update

European Union: Irish cattle slaughter has declined sharply since late March, coinciding with the spread of COVID-19 in Europe and the impact this has had on both demand as well as processing capacity. While the number of cases in US slaughter plants has been especially high, resulting in many plants going down for a period of time, cases in meat plants around the world have not received as much publicity. However, the Irish Health Service Executive recently reported that in the past two months there have been 828 positive cases among workers in the meat processing sector. As a result of positive cases and contact tracing, a number of workers have had to be quarantined, resulting in a slowdown in cattle processing in the country. A similar situation has developed across the continent. Irish cattle slaughter in the four weeks ending May 24 was 26,939 head, 16.2% lower than the same four week period a year ago. Steer slaughter during this period was down 2.7% but cow slaughter was down 22.2% and young bull slaughter was down 37.8%. Cattle prices in Ireland and across the EU continue to trend below year ago. R3 steer prices in Ireland are currently 8% under year ago levels while the average EU price was last quoted at 357 euro per 100 kg, 9.3% lower than a year ago. The average cow carcass price in Ireland was last quoted at 275.5 euro per 100kg, 10% lower than last year while the average EU cow price at 257 euro per 100 kg was 14% lower.

China/Japan/S. Korea: Chinese buyers jumped back in the world market in late March and April, mostly focusing on South American product. Imports from Brazil in May were 60,661 MT, up 124% from a year ago and imports from Argentina increased 42% from last year. On the other hand, lack of supply availability in New Zealand and Uruguay has so far limited imports from these markets. Market participants currently see Chinese demand as uneven. There is still good demand for South American beef due to the price difference. However, economic and political issues have clouded demand for Australian product. Four large Australian packing plants were delisted following Australian calls for an independent investigation about origins of the virus. New Zealand supplies normally decline in Jul/Aug/Sep so Chinese buyers are not expected to be very active in that market either. Going forward, beef demand will largely depend on the price of competing proteins as well as the recovery of the Chinese



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

Source: China Customs

Import Partners	4/1/2019	4/1/2020	Y/Y MT	Y/Y %	Jan -Apr 2019	Jan -Apr 2020	Y/Y MT	Y/Y %
Brazil	27,082	60,661	33,580	124%	100,753	242,088	141,336	140%
Uruguay	25,198	18,682	(6,516)	-26%	87,982	77,116	(10,867)	-12%
Argentina	24,895	35,287	10,392	42%	94,339	152,830	58,491	62%
Australia	27,234	27,986	753	3%	79,093	113,102	34,009	43%
New Zealand	19,595	14,712	(4,884)	-25%	61,083	57,741	(3,342)	-5%
Canada	1,615	768	(847)	-52%	5,026	2,248	(2,778)	-55%
South Africa	-	598	598	#DIV/0!	1,873	2,835	962	51%
Costa Rica	1,153	893	(261)	-23%	3,175	4,547	1,372	43%
United States	495	614	119	24%	2,280	3,479	1,199	53%
Other	1,653	4,770	3,116	188%	4,717	21,908	17,191	364%
Total	128,920	164,971	36,051	28%	440,321	677,895	237,574	54%

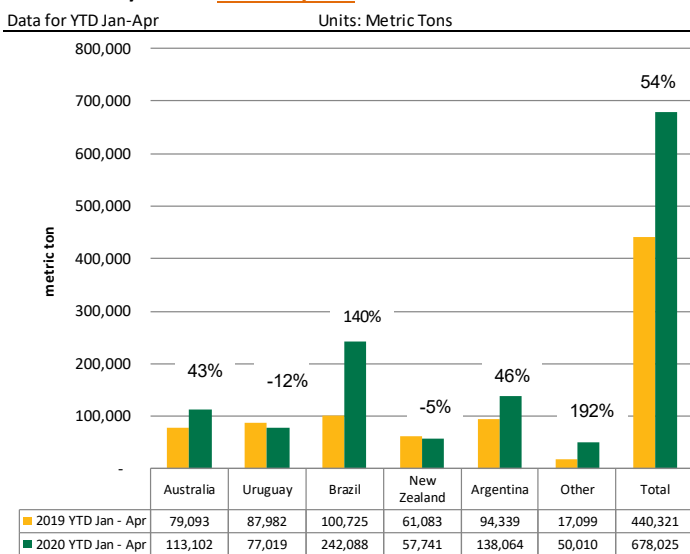
economy. For now the Chinese economy remains stunted, both because of the COVID impact domestically as well as the lack of export demand from North America and Europe. Hog and pork prices in China have been trending down, which may impact beef demand in the near term.

Domestic beef supplies in Japan remain below year ago levels, helping support demand for imported product. Total cattle slaughter in the first three months of the year was 0.4% lower than a year ago but March slaughter declined 3.3% compared to a year ago. Beef imports from the US in March were down 1.3% from a

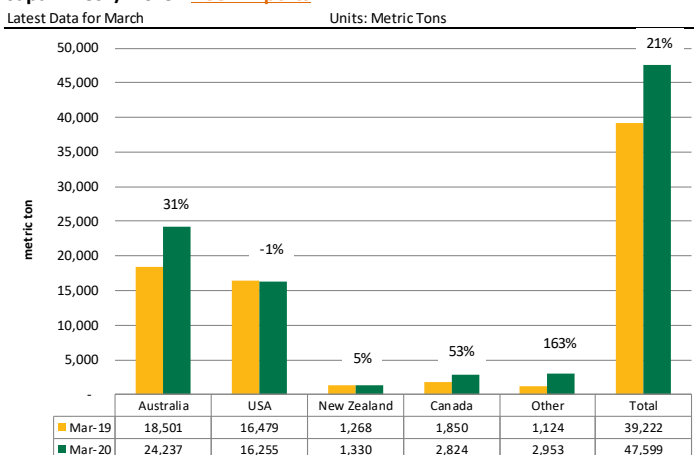
Asia / EU Trade Statistics

year ago. Fresh or chilled imports from the US were down 7.3% while frozen beef imports were up 12.8%. Imports from Australia were sharply higher in March but the trend is expected to be down in the next three months due to lack of supply and a shift towards shipping more product to US and Chinese market. Prices for US product in Japan are mixed. The price of US short plates in April was down 18.5% from a year ago and the price of short ribs was down 7.7%. The only item showing an increase in price were shoulder clods, reflecting the higher price in the US domestic market.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

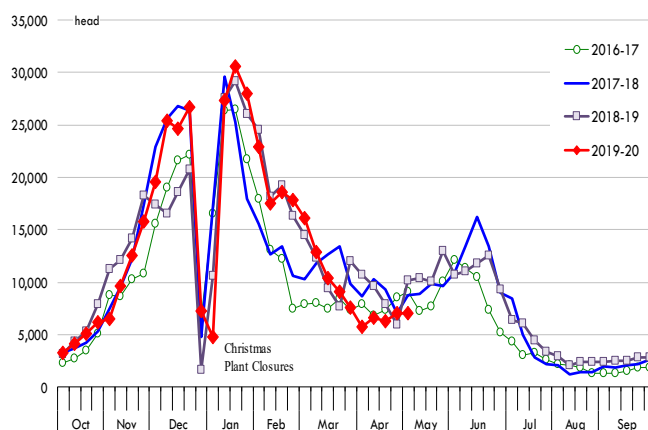
New Zealand: New Zealand cattle slaughter continues to seasonally increase but it is still well under year ago levels. In the four weeks ending May 2 total slaughter averaged 58,540 head/wk, 9.4% lower than the same period a year ago. Bull slaughter during this period was an average of 6,769 head/wk, 20% lower than last year while cow slaughter at 34,645 head per week was 1.6% lower. The decline in slaughter during April negatively impacted exports for the month. Total shipments of fresh/frozen beef in April were 42,932 MT, 3% lower than a year ago. Exports to the US were 14,672 MT, 6% lower than a year ago while exports to China at 16,837 MT were 8% lower than last year. In the first four months of the year New Zealand exports have averaged 2.8% above last year's levels. US and China remain the main markets. Exports to China so far this year are down 18% from a year ago (Jan-Apr). With China delisting a number of key Australian plants, we could see a shift towards sourcing more New Zealand product, mostly in May-Jun and then Oct-Dec.

Australia: Australian cattle slaughter continues to track well below year ago levels. Reports from Australia note that rainfall was generally low in April and much of May but some improvement was noted in the last two weeks. According to MLA, cattle prices in Australia continue to push higher due to tighter supplies and strong competition from processors. Higher prices for lean grinding beef in the US have also increased interest and prices for slaughter cows. Cattle slaughter in the four weeks ending May 22 has averaged 127,556 head per week, 14.4% lower than a year ago. Slaughter in Queensland during this period averaged 18.6% lower than last year. During these four weeks, slaughter in South Australia is now half of what it was last year.

The reduction in slaughter has limited the supply of Australian beef going to export channels. Total shipments in April were 92,476 MT, 6,171 MT or 6% lower than a year ago. Exports to the US in April were 15,536 MT, 28% lower than a year ago. At this time we expect exports to the US market in May to approach 20,000 MT, the highest since last December but still about 15% below year ago levels. Exports to China slowed down in the first three months of the year but seemed to rebound in April. For the month exports to China were 26,788 MT, 15% higher than the previous year. Exports to China in the first two weeks of May continued to increase but the

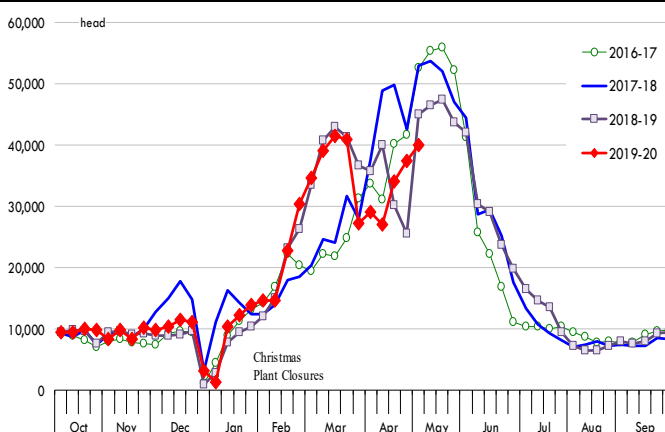
New Zealand Weekly Bull Slaughter

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



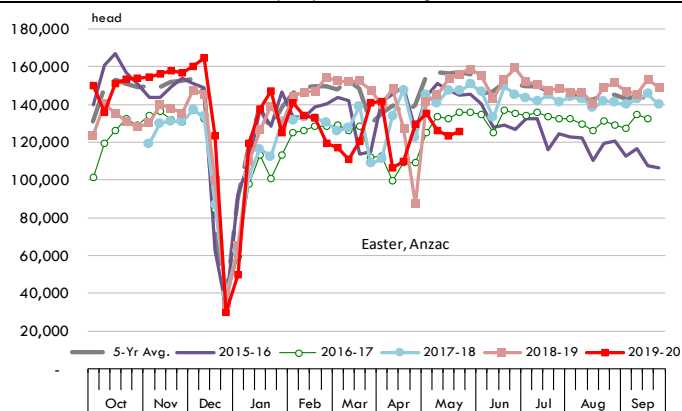
New Zealand Weekly Cow Slaughter

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



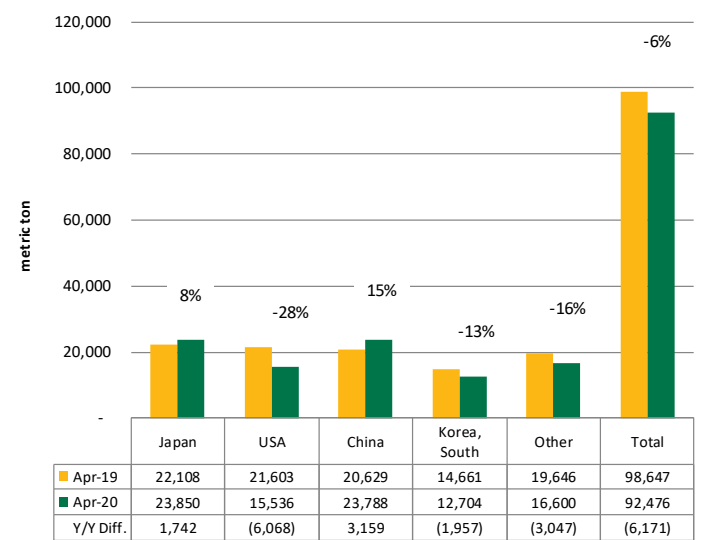
pace of shipments appears to be slowing down now that four major packing plants have been delisted for export to China. The China ban and robust prices for grinding

Oceania Statistics

beef in the US could result in a short term shift in relative exports. However, the total volume of product that will go to the US market may be limited by cattle availability and overall pace of slaughter, which remains low. Exports to other Asian markets are mixed. Exports to Japan in April were 23,850 MT, 8% higher than a year ago. On the other hand, shipments to South Korea at 12,704 MT were down 13%.

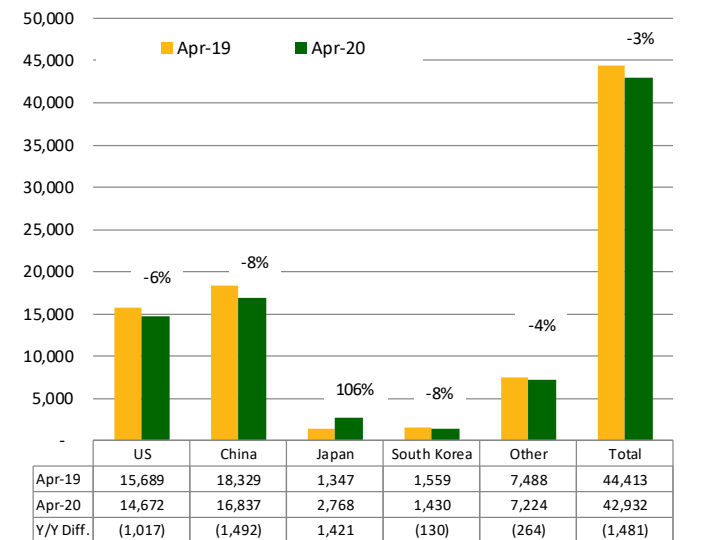
Australia Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons



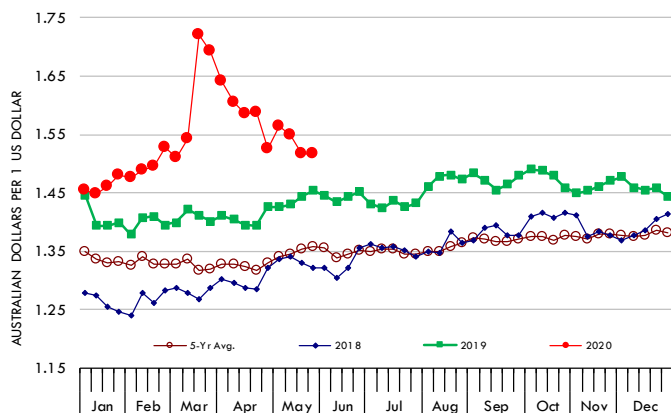
New Zealand Fresh/Frozen Beef Exports

Latest Data for April 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

