

Global Beef Market Monthly Review

June 2020

June 29, 2020

Volume 2, Issue 5

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Highlights:

- In the first five months of the year China beef imports are up 45% compared to the same period a year ago. The increase in China demand has offset any decline in demand from other major importers.
- In May, China represented almost 90% of all Argentine beef exports and China/Hong Kong represented about 60% of all Brazilian beef exports. The reliance on the Chinese market has made these two countries much more vulnerable to any changes (or threats of changes) in trade policy.
- Beef supplies in the US market have recovered and combined with the uptick in retail prices this has put significant downward pressure on wholesale beef values.
- New Zealand slaughter seasonally declines in July and August and that is expected to be the case again this year. Slaughter was down sharply in April as the country went into lockdown. However, lockdown measures have now been lifted and slaughter is slowly returning to normal levels.
- Mexico has emerged as a top beef supplier to the US market, capitalizing on the increase in beef supplies there, strong demand at US retail and the weak Peso.

Trade Update for Key Global Players

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

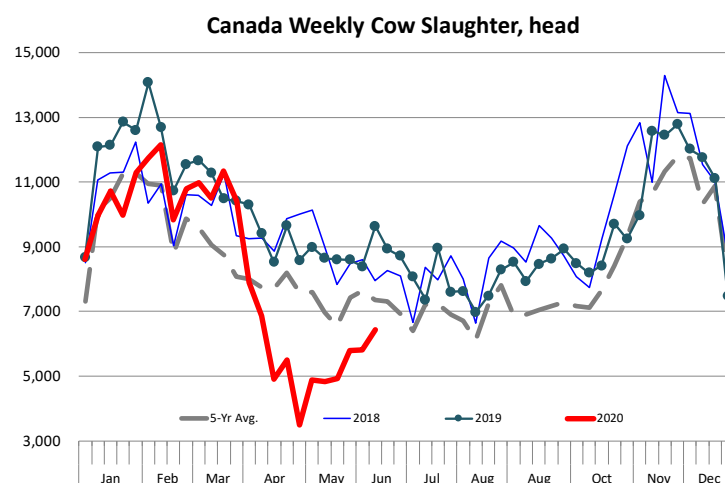
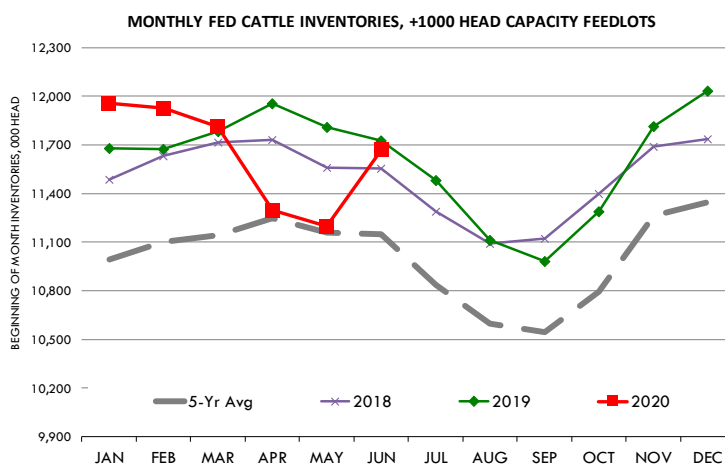
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS						4,755,890	4,885,199	129,309	3%	
Australia	19%	0%	May 2020	98,565	-6,924	-7%	1,228,963	1,142,936	-86,027	-7%
Argentina	2%	0%	May 2020	57,927	11,393	24%	566,272	611,574	45,302	8%
New Zealand	7%	0%	May 2020	48,700	-3,633	-7%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	May 2020	155,136	31,859	26%	1,535,091	1,680,924	145,834	10%
USA	11%		Apr 2020	75,720	-2,012	-3%	961,419	990,261	28,843	3%
IMPORTS						3,900,668	4,406,330	505,662	13%	
USA		20%	Apr 2020	85,784	-2,215	-3%	976,446	1,015,504	39,058	4%
China	0%	9%	May-20	142,419	18,699	15%	1,657,151	2,154,297	497,145	30%
Hong Kong			Apr 2020	21,178	-8,712	-29%	364,920	310,182	-54,738	-15%
Japan	0%	9%	Apr 2020	69,090	1,822	3%	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 retail beef prices jumped to all time record levels in May and, based on retail feature ad data from USDA, prices were even higher in the first two weeks of June. The increase in retail beef prices has come at a time when domestic meat protein supplies have largely recovered and they are currently above year ago levels. For the week ending June 26, US production of beef, pork, chicken and turkey was estimated at 2.083 billion pounds, 5% higher than the same week a year ago. Beef production for the week was estimated at 562.3 million pounds, 28.5 million pounds or 5.3% higher than a year ago. Pork production for the week was estimated at 573.8 million pounds, 68.6 million pounds or 13.6% higher than a year ago. Broiler slaughter at 839 million is also running slightly ahead of last year even as slaughter is well under last year—a consequence of heavier weight birds coming to market. But, from the retailer perspective, the increase in total pounds produced may not be enough. Over the years the US retail industry has developed whereby they rely on packers to provide case ready product. A study done a few years ago estimated that as much as 75% of all the beef, pork and chicken in the retail meat case was case ready. This means that packers need not only get animals slaughtered but also fabricate and trim specific cuts to retailer specs. That remains a challenge. For the last few months Steiner has been tracking the spread of coronavirus in counties where major meat plants are located. Last week, half of the counties where major beef and pork plants were located had more new coronavirus cases than two weeks ago. The increase in cases means continuing holes in fabrication lines and high prices for case ready product even as on a carcass weight basis supply has increased.

On June 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.671 million head, 57,000 head or 0.5% lower than a year ago. Analysts on average were expecting the inventory to be 1% lower. Last month the on feed inventory was 607,000 head smaller than a year ago but a decline of 570,000 head in marketings quickly reversed that situation. A closer look at the data shows a significant backlog of cattle in the front end, i.e. animals that should have been marketed in April and May are still in the feedlot. The total supply of cattle that on June 1 had been on feed for 150 days or more was 3.283 million head, 971,000 head or 42% higher than a year ago. The supply of +120day cattle on June 1 was a record 5.184 million head, 966,000



head or 22.9% higher than a year ago. Fed cattle slaughter for the week ending June 27 was estimated at 543,000 head, 0.8% higher than a year ago.

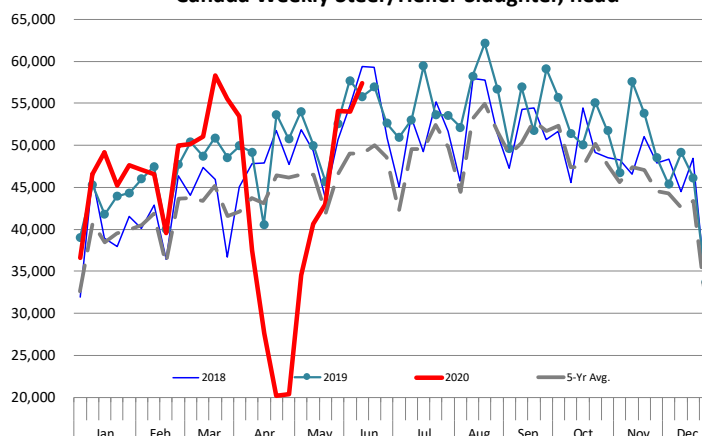
North America (continued)

Canada: COVID-19 hit Canadian packers hard in the second half of April and first half of May. During those four weeks, weekly fed cattle slaughter was cut in half, resulting in significant supply shortages at retail. Since then slaughter has recovered and the latest data shows slaughter is back to normal levels. In the four weeks ending April 13, weekly steer/heifer slaughter in Canada averaged 52,118 head/week, only 1.6% lower than the previous year. For the most current week, slaughter was actually above year ago levels. The disruptions caused feedlots to fall behind in their marketings, resulting in a significant increase in fed cattle weights. In mid-May, the average steer carcass weight in Canada was 918 pounds, 52 pounds or 6% higher than a year ago. Now that packers have ramped up the slaughter pace, producers are slowly becoming more current (although they are not there yet). The average steer carcass weight for the week ending June 13 was 881 pounds, 20 pounds or 2.3% higher than a year ago. The increase in slaughter and still heavier weights than a year ago imply that fed beef supplies for the most current week were up by more than 5% from year ago levels.

The supply of cattle on feed in Alberta/Saskatchewan feedlots as of June 1 was estimated at 1.023 million head, 5.7% higher than a year ago. Placements in May were down 11.9% while marketings were down 23.6%. As in the US feedlots have slowed down the pace of placements as they try to work down the backlog created in April and May. This implies a larger supply of cattle outside feedlots and higher placements expected in June, July and August than in 2019.

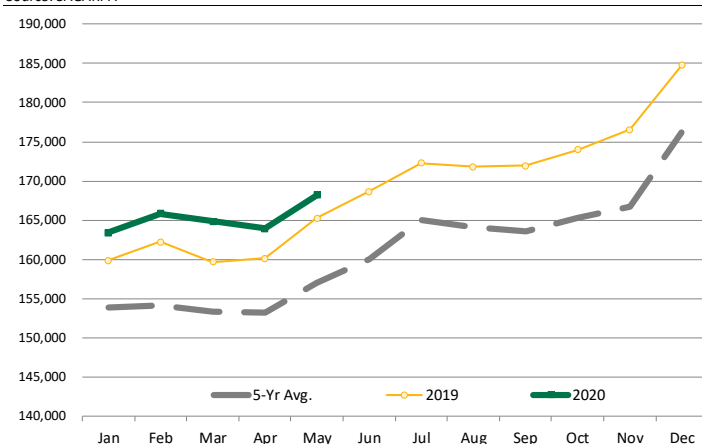
Mexico: Mexican beef production in May continued to increase at a fairly steady pace. Total production was estimated at 163,942 MT, 2.4% higher than a year ago. Production in Jalisco was up 1% and production in Veracruz was only slightly higher than a year ago. The increases came mostly from smaller 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.

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA

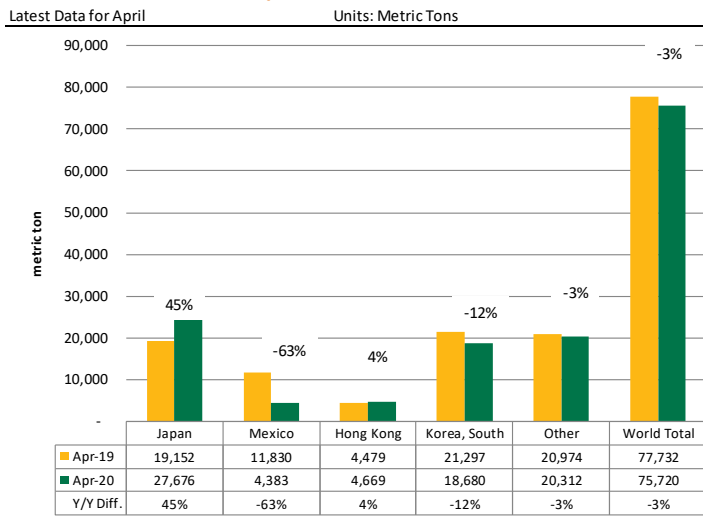


US imports of fresh/frozen Mexican beef in April were 20,113 MT, 7.6% higher than a year ago and the highest monthly imports from Mexico on record. In the first four months of the year US imports of Mexican beef were 77,545 MT, up 6,094 MT or 8.5% higher than the previous year. Weekly export data for May and June suggest an even bigger jump in imports from Mexico. Imports during the nine week period were up 17,121 MT or 48% compared to the same period a year ago.

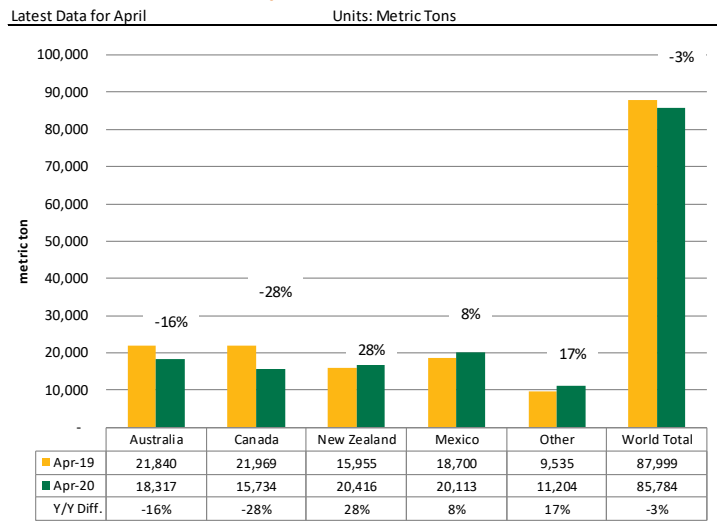
US imports from Central American countries have also shown a notable increase this year, especially during the last few weeks. Jan-Apr imports from Nicaragua were 24,013 MT, up 3,423 MT or 16.6% compared to the previous year. In the nine weeks of May and June, total imports from Nicaragua are up 3,826 MT or 51.3% from the same nine week period a year ago. Imports from Costa Rica in the first four months of the year jumped 71% from a year ago and imports from Honduras more than doubled. Combined imports from these three markets during the first four months of the year were up almost 6,000 MT from the same period a year ago. The increase added to the y/y increase in imports from other grinding beef suppliers.

North America Trade Statistics

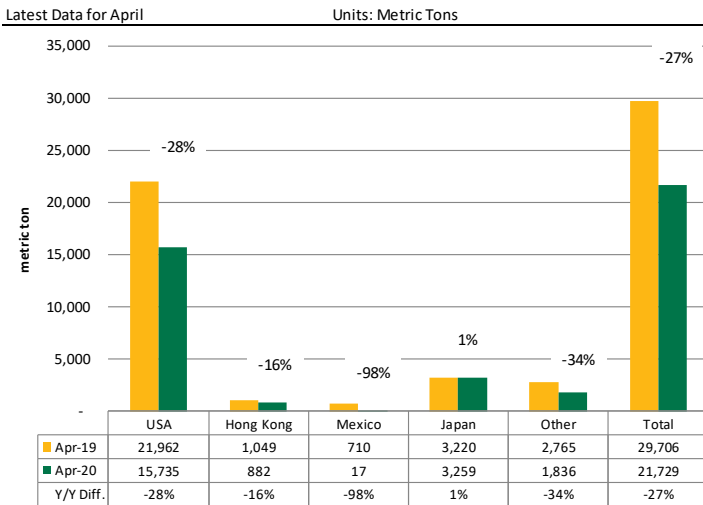
USA Fresh/Frozen Beef Exports



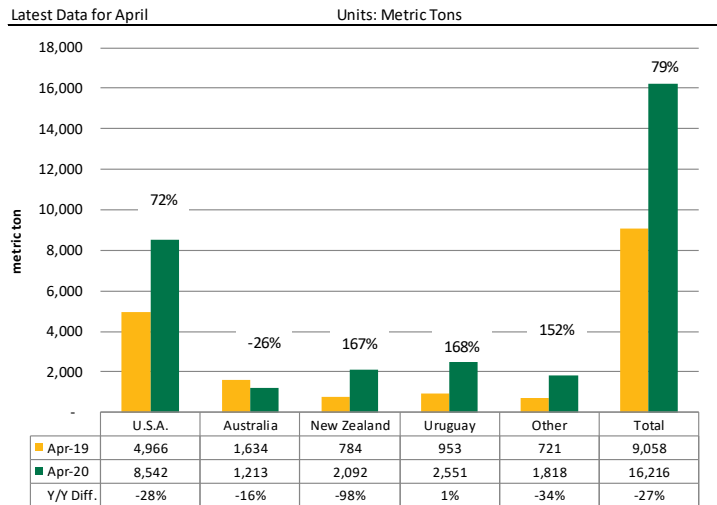
USA Fresh/Frozen Beef Imports



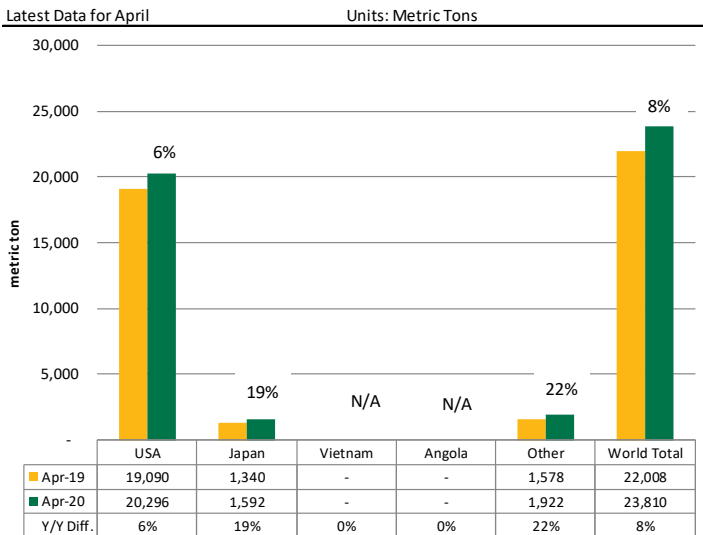
Canada Fresh/Frozen Beef Exports



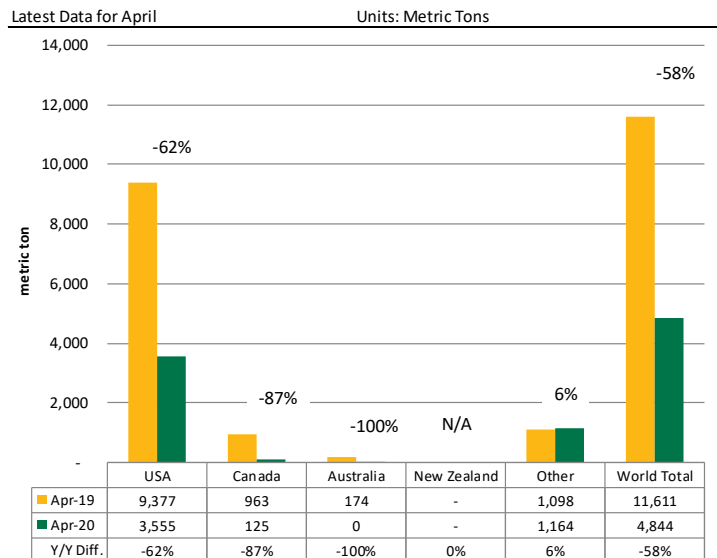
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

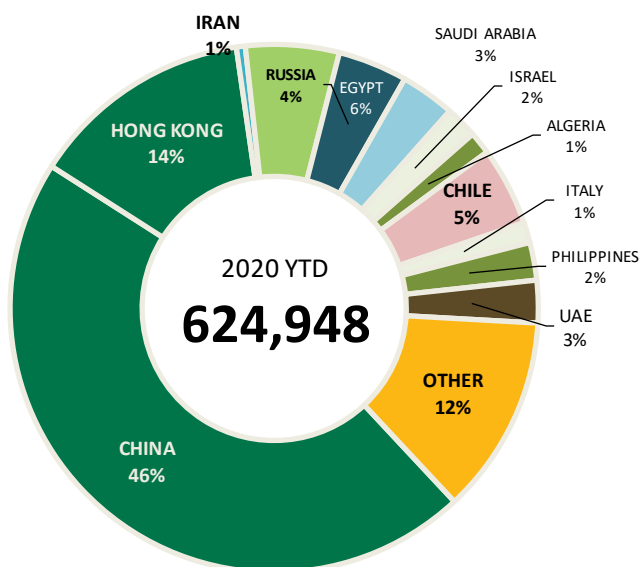
Brazil: The spread of Corona virus in Brazil has so far had a limited impact on its ability to produce and export beef to the world market. A weak Brazilian Real, softer domestic demand and still very strong China beef demand continues to underpin Brazilian beef exports. In May total shipments of fresh/frozen beef were 155,136 MT, 26% higher than the same month a year ago. This was the highest monthly export volume since November of last year when China demand caused a dramatic shift (+40%) in Brazilian cattle prices. Currently Brazilian cattle prices in Brazilian real terms are up 45% from a year ago and also 12% higher than in mid May. Prices in US dollar terms are currently 4.2% higher than a year ago. However, the Brazilian dollar has become much stronger in the last few weeks and in US dollar terms Brazilian cattle prices are up 23% compared to mid May levels. We think this may have negatively impacted export sales in June and expect to see a slowdown in June exports compared to the near record levels we saw in May.

Shipments to China in May were 83,942 MT, 180% higher than a year ago. In the first five months of the year Brazilian exports to China were 287,398 MT, 161,710 MT or 129% higher than the same five month period a year ago. Exports to Hong Kong in May were 22,579 MT, 19% higher than a year ago. Exports to China and Hong Kong in the first five months of the year accounted for 60% of all Brazilian beef exports. Exports of frozen beef to the US remain limited at this time. May shipments to the US were just 277 MT, only slightly more than Brazil exported to countries like Albania or Algeria.

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%.

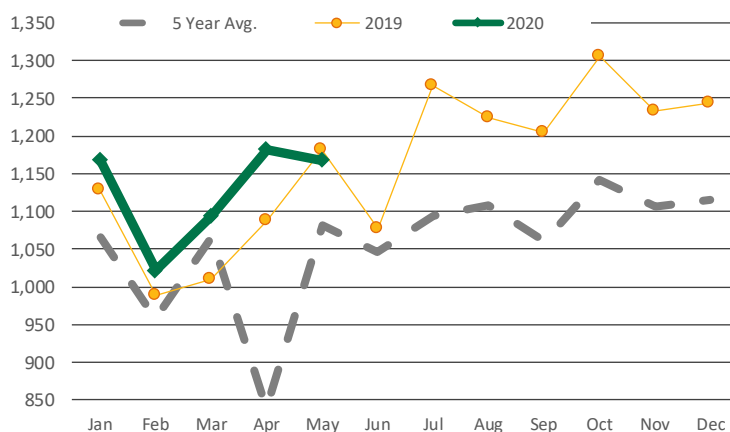
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-May 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



There has been a notable improvement in exports 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.

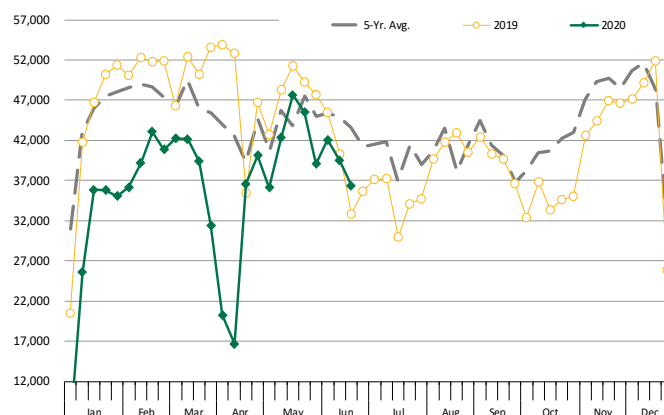
Uruguay: Cattle supplies in Uruguay seasonally decline in June, July and August and so far slaughter is following the seasonal trend. In the four weeks ending June 20 total cattle slaughter averaged 39,253 head/week, down 5.6%

South America (continued)

from a year ago and below the annual peak in mid May at 47,666 head. Steer slaughter during the reference week averaged 19,405 head, down 6.8% from a year ago while cow slaughter for the same period averaged 13,563 head/week, 5.7% lower. At this point the spread of COVID-19 is having minimal impact on Uruguayan packers. However, some reports from Uruguay note that Chinese authorities have become much more active in auditing Uruguayan plants in order to understand measures taken to control for the spread of the virus. This follows the decision by Chinese authorities to delist a US chicken plant that saw a major spike in cases among workers. Brazilian and UK plants have also “voluntarily” decided to suspend shipments to China. Uruguayan beef exports in May were down 6,382 MT or 20% from a year ago. Exports to China were 13,750 MT, down 7,309 MT or 35% from a year ago. Despite the recent decline in exports, China remains the top market for Uruguayan beef exporters, taking about 57% of all the product exported in the first five months of the year. Exports to the US in May jumped 61% from a year ago following the big jump in prices.

Uruguay Cattle Slaughter, Total

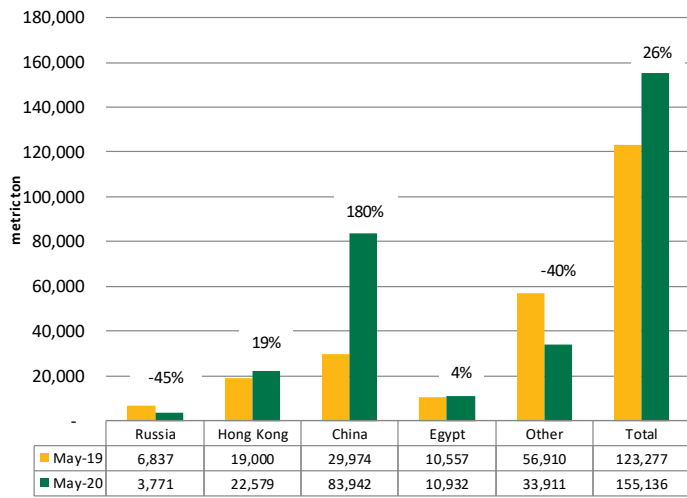
Weekly Slaughter in Head. Source: World Beef Report



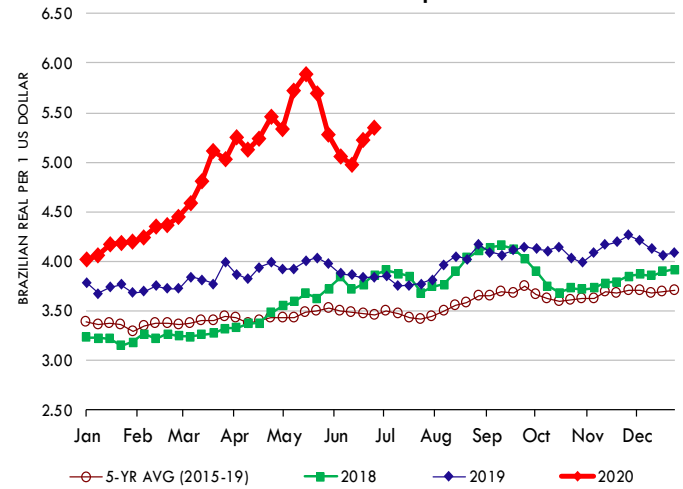
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons

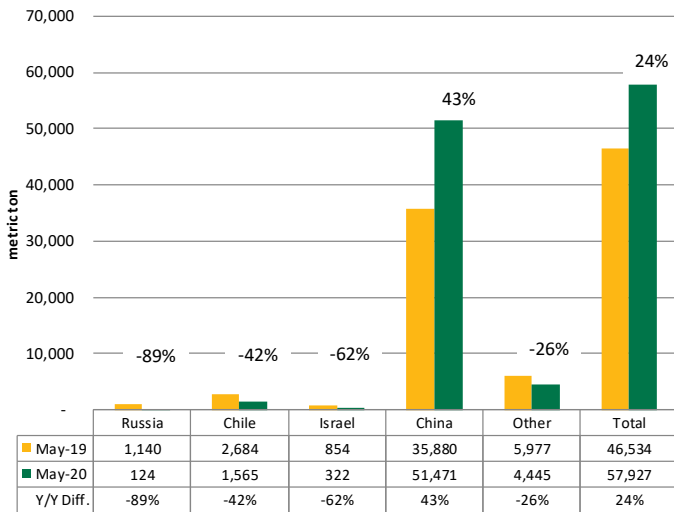


Brazilian Real Per 1 US Dollar

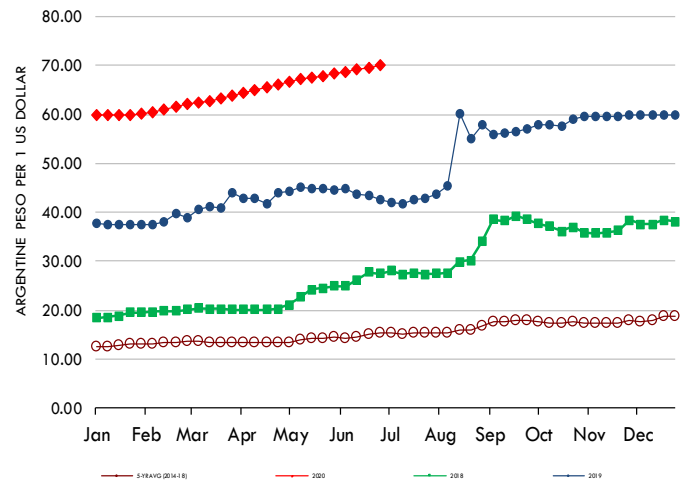


Argentina Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons

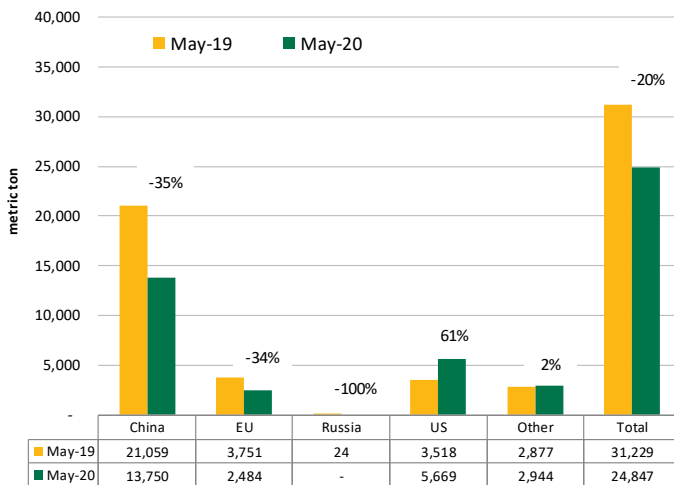


Argentine Peso Per 1 US Dollar

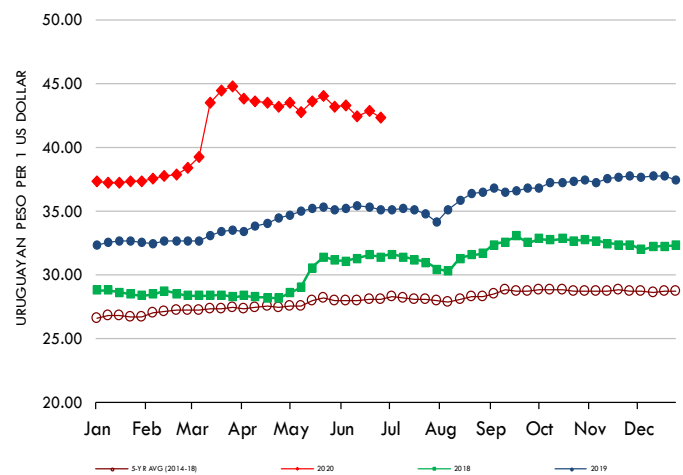


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for May 2020 Units: Metric Tons



Uruguay Peso Per 1 US Dollar

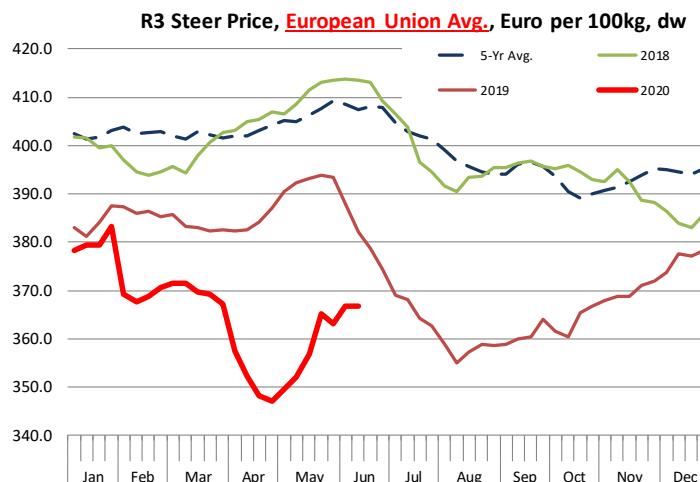


Asia / EU Market Update

European Union: Irish beef supplies have been steadily increasing following COVID disruptions in April. Cattle slaughter for the week ending June 21 was 36,422 head, up from 25,225 in mid April. Current slaughter is both above last year's levels and the five year average. There is a wide range in the type of cattle coming to market at this time. Steer slaughter in the four weeks ending June 21 averaged 12,018 head per week, 17.6% higher than the previous year. These animals appeared to be the most backed up in April and producers are now looking to get caught up. Young bull slaughter, on the other hand, averaged just 3,032 head per week during the reference period, down 39% from the same period a year ago. Again, at this time producers are prioritizing sending market ready animals to market. Cow slaughter has increased significantly. In mid April weekly slaughter was around 4000 head per week. The latest data pegged cow slaughter at 8,553 head and in the last four reported weeks cow slaughter has averaged 8,412 head/week, 1% higher than a year ago. Cow meat supplies are plentiful and combined with EU export demand it has pressured cow prices lower. Current O3 cow price in Ireland is reported to be 271 euro per 100 kg, down 9% from a year ago. The average EU cow price is currently 273 euro per 100kg, down 7% from last year.

US imports from Ireland increased substantially in the first three months of the year but April imports slowed down, reflecting the decline in harvest rate at the time. So far we have yet to see a return in US imports of Irish beef to the levels observed earlier in the year. USDA weekly import data offers the most current information, showing that in the four weeks ending June 20, beef imports from Ireland averaged 103 MT/week. In January, February and March Irish beef imports were about double that amount.

China/Japan/S. Korea: Chinese buying slowed down in May, with imports from a number of key markets declining from the previous year. Some of the decline was offset by a sharp increase in imports from Brazil, which has emerged as the main beef supplier to the Chinese market. Brazil imports for the month were 44,119 MT, up 90% from a year ago. Based on the level of May Brazilian beef exports to China, we would expect a triple digit increase in June. Imports from Argentina continue to increase and for the year they are up 51% from a year ago.



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

Source: China Customs

Import Partners	5/1/2019	5/1/2020	Y/Y MT	Y/Y %	Jan - May 2019	Jan - May 2020	Y/Y MT	Y/Y %
Brazil	23,270	44,119	20,849	90%	124,022	286,207	162,185	131%
Uruguay	26,285	18,224	(8,061)	-31%	114,267	95,339	(18,927)	-17%
Argentina	24,427	27,077	2,650	11%	118,766	179,907	61,142	51%
Australia	23,885	26,089	2,204	9%	102,978	139,191	36,213	35%
New Zealand	20,307	16,737	(3,570)	-18%	81,390	74,478	(6,912)	-8%
Canada	2,145	908	(1,236)	-58%	7,171	3,157	(4,014)	-56%
South Africa	-	663	663	#DIV/0!	1,873	3,498	1,624	87%
Costa Rica	854	1,533	679	79%	4,029	6,081	2,051	51%
United States	624	1,225	601	96%	2,904	4,704	1,800	62%
Other	1,924	5,844	3,920	204%	6,640	27,589	20,949	315%
Total	123,720	142,419	18,699	15%	564,041	820,151	256,110	45%

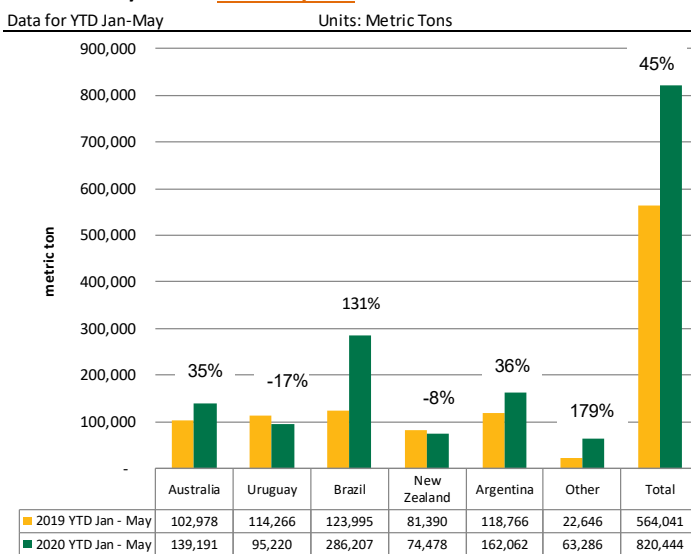
Total Chinese beef imports in May were 142,419 MT, up 15% from a year ago. Chinese retail beef prices have been stable for much of the year but prices are still as much as 18.5% higher than a year ago. There is a lot of uncertainty about Chinese foodservice demand, especially following the outbreak of COVID-19 in Beijing. Chinese officials have been ready to impose lockdowns whenever a new cluster of cases emerges. For now it appears inventories of imported beef are large so any disruption on imports due to enhanced COVID screening is unlikely to result in supply shortages. For the year Chinese beef imports are up 45% but we have kept out forecasted growth

Asia / EU Trade Statistics

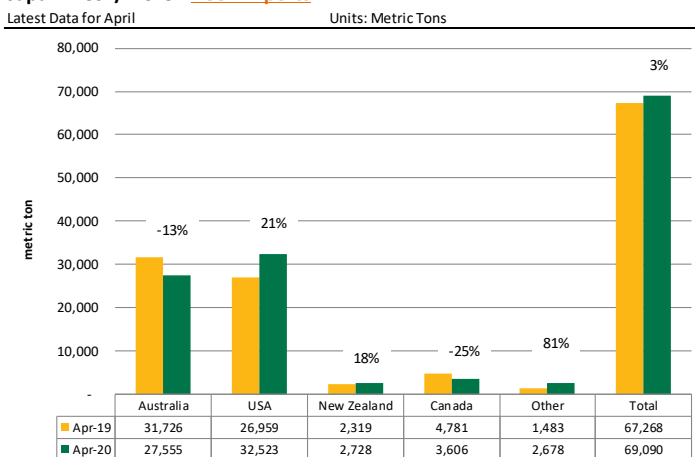
for the year at 30%. As May imports showed, it will be difficult to maintain the current import pace in the second half of the year.

Total cattle slaughter in Japan in April was 7.5% lower than the previous year. Cow and heifer slaughter for the month was down 13.2% and steer slaughter was down 9.3%. Beef production in April declined by a similar amount. The impact on the market from the decline in output was limited, however, given that starting beef inventory for the month was up 9.4% and beef imports also increased by 2.6%.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

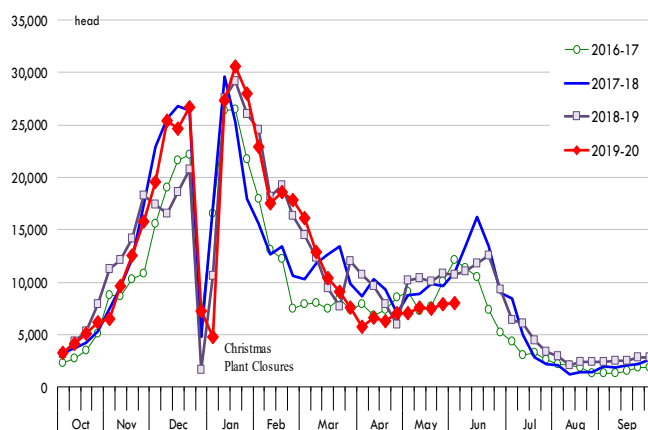
New Zealand: New Zealand cattle slaughter has been running under year ago levels in April and May. Part of the reason for the decline in early April was the slow-down in slaughter due to COVID restrictions put in place. However, the overall impact on slaughter was less than what we saw in the US and it appears packers there are slowly getting caught up. Slaughter in New Zealand was running well ahead of last year's levels in March so producers were quite current in marketing their cattle. If we look at slaughter since the start of the marketing year in October, weekly slaughter this year has actually been 0.8% higher than the previous year. In the four weeks ending May 15 (latest data), cow slaughter in New Zealand averaged 39,009 head per week, 6% higher than a year ago. Bull during this period averaged 19% below year ago levels.

Australia: Increase in rainfall has helped break the drought in key cattle producing regions and limited the number of cattle going to market in the last few weeks. According to data from Meat and Livestock Australia, cattle slaughter in the four weeks ending June 19 averaged 123,331 head per week, down 19% from the same period a year ago. Slaughter in Queensland was down 22.4% from a year ago and slaughter in Southern Australia was down by more than 38%. Current weather models suggest a high chance that rainfall in the next three months will be above the median for the period (see map below). A report from ABARE also noted that: "Across much of New South Wales, Victoria, southern South Australia and southern Western Australia, for example, there is a 75% chance of receiving between 50 and 200 millimeters between July and September 2020." Improved pasture conditions and the big decline in cattle numbers in the last two years could result in an even more significant downturn in slaughter for the next three months.

Lower slaughter in May and June has limited overall exports. Total shipments of fresh/frozen beef in May were 98,565 MT, down 6.6% from a year ago. At this time we think June shipments are on track to be 92,500 MT, down 7.5% from last year. Exports to the US market in May were 20,517 MT, 12% lower than a year ago but a notable improvement from March. A big jump in grinding beef prices in the US market has incentivized a shift towards the US and we are currently projecting June shipments at 24,400 MT, 21.6% higher than last year. Exports

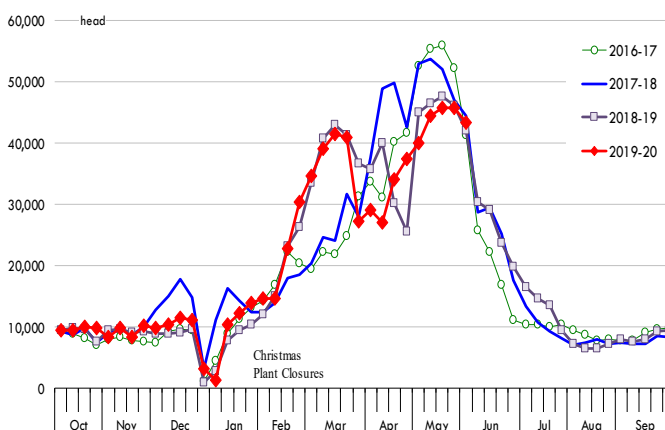
New Zealand Weekly Bull Slaughter

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



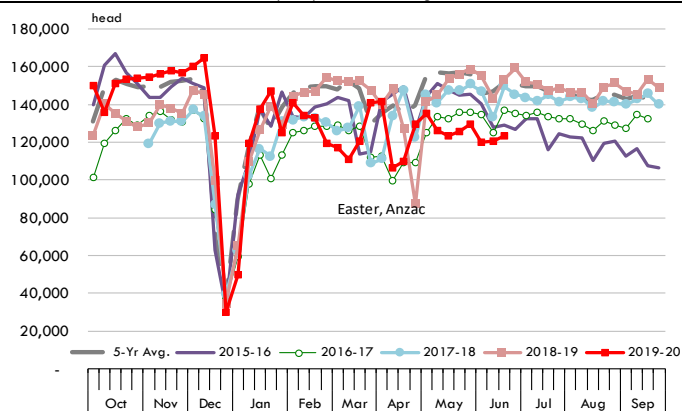
New Zealand Weekly Cow Slaughter

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



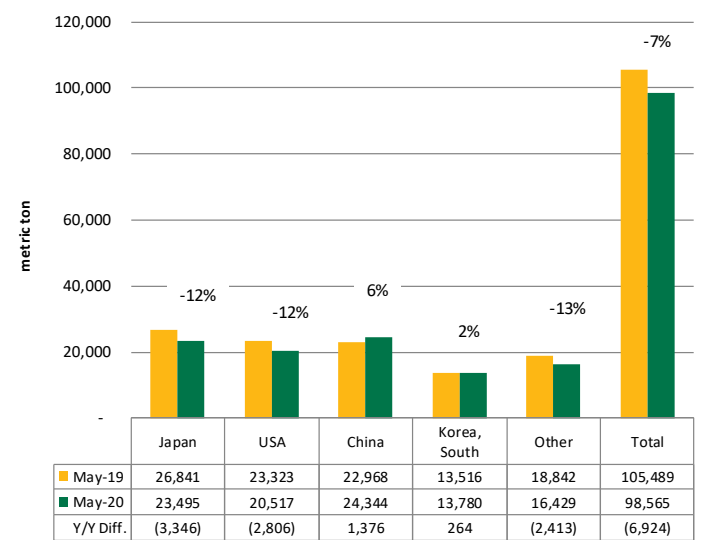
to Japan have been flat, in the last two months. May shipments were 23,495 MT, about the same as in April and 12.5% lower than a year ago. Shipments to China in

Oceania Statistics

May were 24,344 MT, 6% higher than the previous year and making China the largest market for Australian beef for the month. However, we think exports to China have slowed down as four large plants were banned from shipping to China.

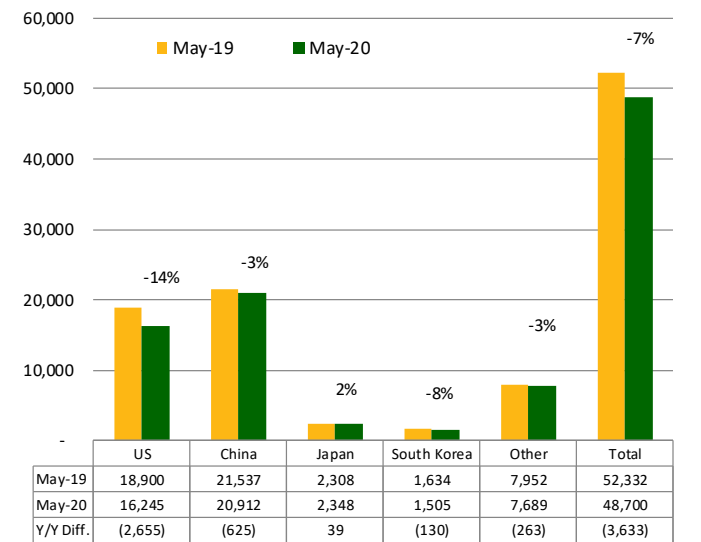
Australia Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons



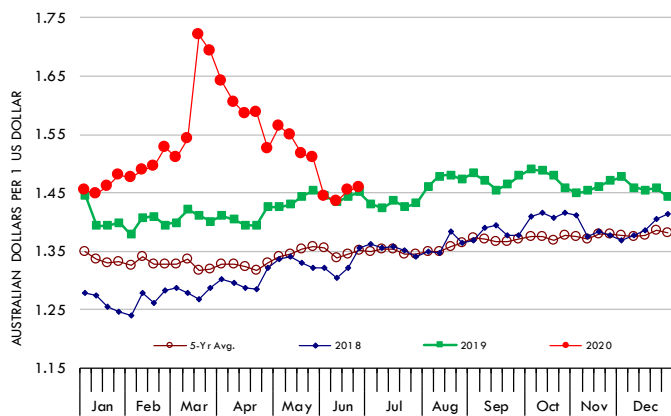
New Zealand Fresh/Frozen Beef Exports

Latest Data for May 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

