



Global Beef Market Monthly Review

July 2020

July 31, 2020

Volume 2, Issue 6

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Highlights:

- China remains the key driver in the global beef market. Chinese beef imports in June were 32% higher than a year ago and they are up 43% for the year. Pace of imports will slow down vs. last year in second half of the year and we are keeping our forecast for the year at 30%. This represents an increase of almost 500,000 MT.
- In May and June, 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.
- Chinese officials are demanding that Brazil and other South American countries take additional steps to test for COVID-19 and also implement policies to limit the spread in meat plants that export to China. This has created some disruptions but it has not yet had a significant impact on trade.
- 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.
- 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	4,841,935	86,045	2%	
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%	Jun 2020	47,358	-1,597	-3%	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%		May 2020	59,955	-26,613	-31%	961,419	946,997	-14,421	-2%
IMPORTS						3,900,668	4,406,330	505,662	13%	
USA		20%	May 2020	87,505	-7,431	-8%	976,446	1,015,504	39,058	4%
China	0%	9%	Jun-20	176,648	42,904	32%	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%	May 2020	50,036	1,478	3%	615,381	633,842	18,461	3%
Russia	0%	8%	Mar 2020	25,882	564	2%	286,770	292,505	5,735	2%

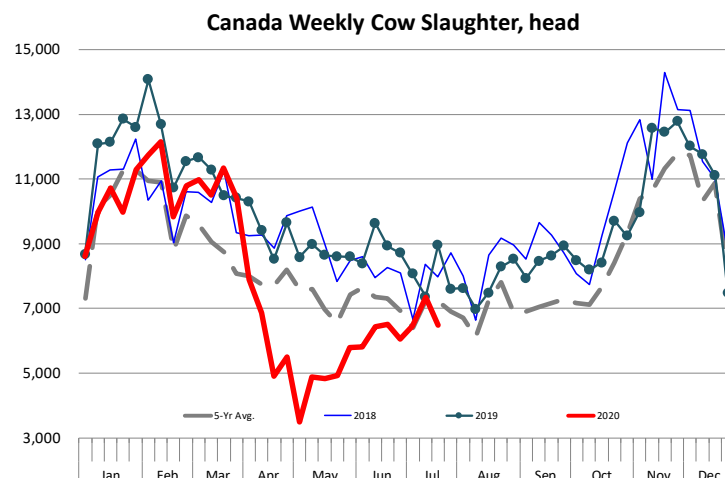
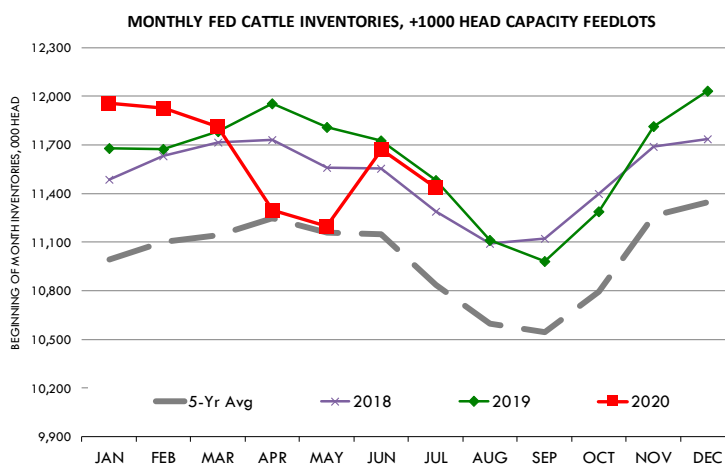
*** Product wt. basis. Projections for 2019 made by Steiner Consulting.

North America Market Update

United States: 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 103 million head, 100k head or 0.1% higher than the previous year. Much of the increase in the inventory appears to be driven by the backlog in the number of cattle that was created this spring. Had it not been for that, we think the inventory would be lower than a year ago. The inventory of steers over 500 pounds was estimated at 15 million head, 300k head or 1.4% higher than a year ago. The inventory of ‘other heifers’, i.e. female cattle that will go to slaughter, was estimated at 8 million head, 100k head or 3.2% higher than a year ago. The higher number of calves and feeder cattle more than offset the reduction in the beef cow inventory. The USDA survey estimated the July 1 inventory of all cows at 41.404 million head, 196k head or 0.5% lower than a year ago. Prior to the report analysts were expecting the cow herd to be down 0.6%. The beef cow herd was also very much in line with pre-report estimates. Analysts were expecting the beef cow herd to be down 1% from a year ago. USDA estimated total beef cow inventories as of July 1 to be 32.050 million head, 250k head or 0.8% lower than a year ago. This is the second consecutive year of lower beef cow herd numbers, pointing to a steady decline in the number of calves available for marketing in 2021 and 2022. The dairy cow herd was up 50k head or 0.5% compared to last year. Improved profitability in the dairy complex during the last two months appears to have stemmed the liquidation trend in the dairy complex.

There is no appetite for expansion in the US beef industry at this time. The producer survey noted that cow-calf operators intend to retain 4.4 million heifers for beef cow herd rebuilding, about the same number as a year ago. If there is anything positive to get out of these numbers is that the heifer retention number did not decline further. Analysts polled ahead of the report said they expected dairy producers to retain more heifers for dairy herd rebuilding. It appears producers are actually much more concerned about the long term demand trends in the complex and for now they have opted for the status quo. Dairy heifer retention was unchanged from a year ago.

The July survey offers the first estimate of the calf crop for the year but keep in mind that this number can see significant revisions in January when the fall calf crop



is estimated. Producers currently estimate the calf crop for all of 2020 at 35.8 million head, 260k head or 0.7% lower than a year ago. As with the cow herd, this was the second consecutive year of a lower calf crop. The decline suggests tighter cattle supplies in the second half of 2021 and in 2022. In the near term, however, cattle supplies remain plentiful. The July survey estimated the total supply of cattle on feed (this includes feedlots with less than 1000 head capacity) at 13.6 million head, about the same as a year ago and 300k head higher than two years ago. The supply of feeders outside feedlots is estimated at 37.4 million head, 300k head higher.

North America (continued)

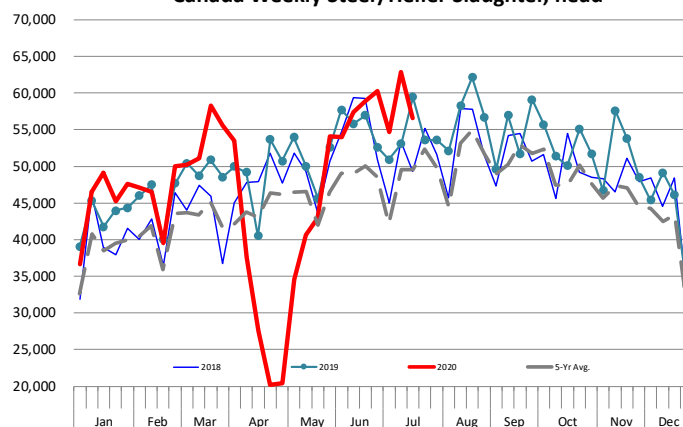
Canada: Slaughter in Canada has normalized and packers are working hard to catch up on the backlog that was created in April and May. Fed cattle slaughter in the four weeks ending July 18 averaged 58,623 head/week, 8.5% higher than a year ago and 23.5% higher than the five year average for this period. The July 1 feedlot inventories in Alberta and Saskatchewan were estimated at 900,007 head, 5% higher than a year ago and 17% higher than the five year average. Canadian feedlots increased placements in June, with the increase entirely due to more heifers going on feed. Total placements for the month were 82,459 head, 6% higher than the previous year. Steer placements were 48,587 head, down 11% while heifer placements at 33,872 head were 45% higher. The increase in placements and the +5% higher inventory should continue to bolster Canadian fed cattle slaughter in the near term.

Cow slaughter in the last four reported weeks averaged 6,578 head/week, down 20.5% compared to the same period a year ago and 5.2% lower than the five year average. Lack of slaughter capacity significantly impacted slaughter in April and May. Packers are still looking to slaughter more fed cattle given the backlog that was created on feed. Cow slaughter should start to ramp up in late August and then be substantially higher in the fall. The recent reduction in cow slaughter implies a higher fall cow run than usual.

Beef imports from Australia have improved significantly and they are now down only 12% compared to 41% just a few weeks ago. Imports from New Zealand though the end of July were 10,968 MT, up 31% and imports from Uruguay at 8,444 MT were up 26%.

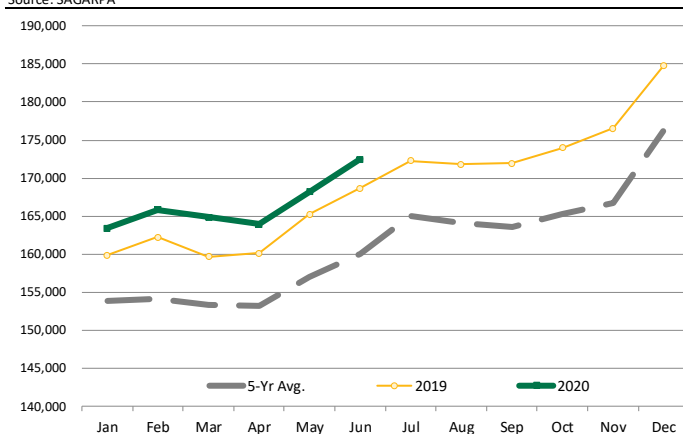
Mexico: Mexican beef production in June continued to closely follow the normal seasonal trend and remains above year ago levels. Normally Mexican production is lower in the first three months of the year and the highest supply availability is in the last three months of the year. During the last five years, production in Q1 has averaged 4% under the annual average while Q4 production has averaged 5% above it. June production was estimated at 172,493 MT, 2.5% higher than the previous month and 2.3% higher than a year ago. Production in Jalisco was up 2.5% and production in Veracruz was 1% higher than a year ago. The increases came mostly from smaller states, especially Zacatecas, Nuevo Leon and Durango.

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA



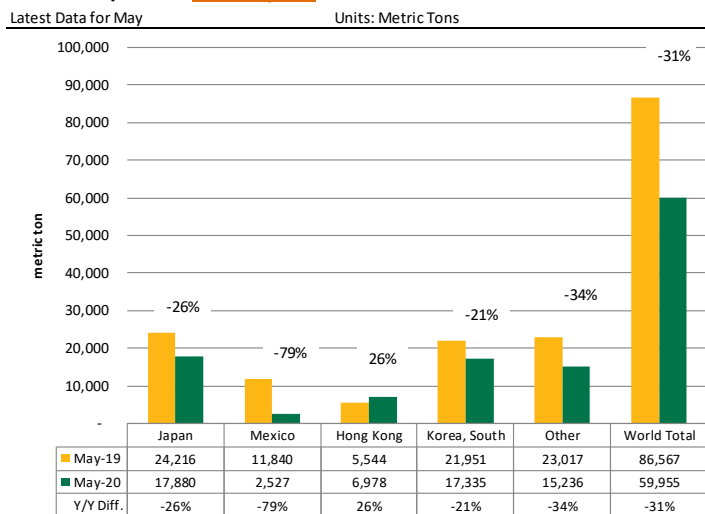
The weak peso and higher prices in the US have resulted in record export revenues for Mexican packers. More recently the peso has gained thanks to the recovery in crude oil prices. Still, the value of the peso is much weaker than a year ago and even with the decline in the value of some round and chuck cuts, the US market remains especially attractive for Mexican producers.

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 trade data for July suggests continued strong inflows of Mexican product. Imports in the four weeks ending July 25 were up 22,830 MT, up 35% compared to a year ago.

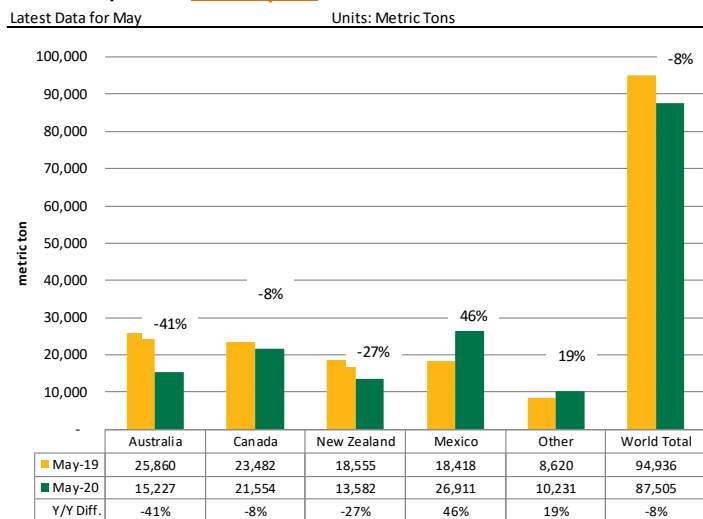
US Imports from Nicaragua so far this year are up 24% compared to a year ago. In the last four weeks, imports from Nicaragua were 2,843 MT, down 14% compared to a year ago. Imports from Honduras in the last four weeks were almost non-existent while imports from Costa Rica were 818 MT, 36% higher than last year but still a marginal volume considering total imports during this four week period were over 104,000 MT.

North America Trade Statistics

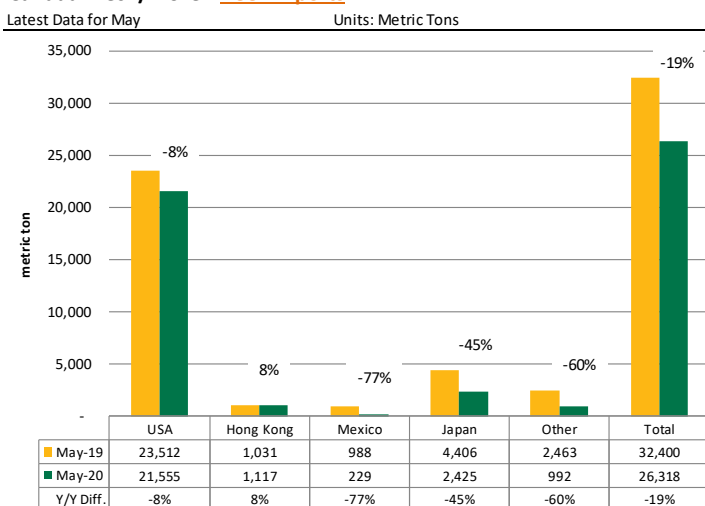
USA Fresh/Frozen Beef Exports



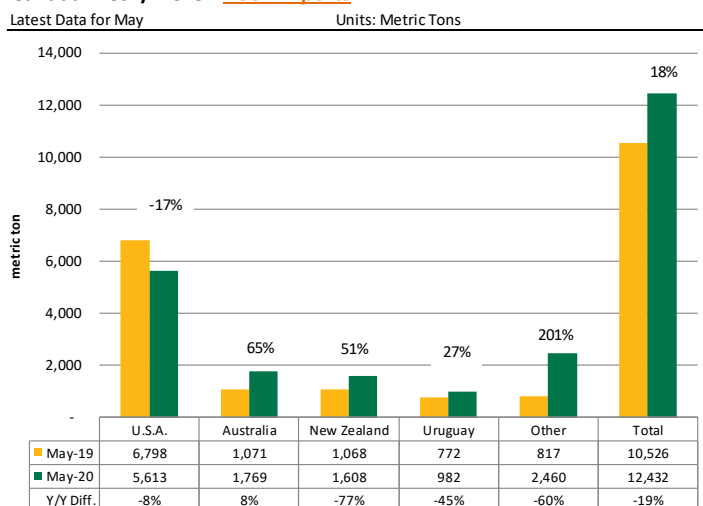
USA Fresh/Frozen Beef Imports



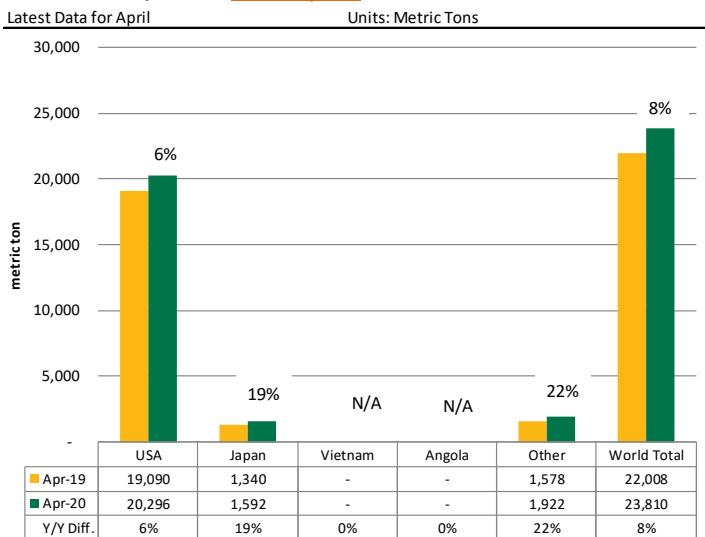
Canada Fresh/Frozen Beef Exports



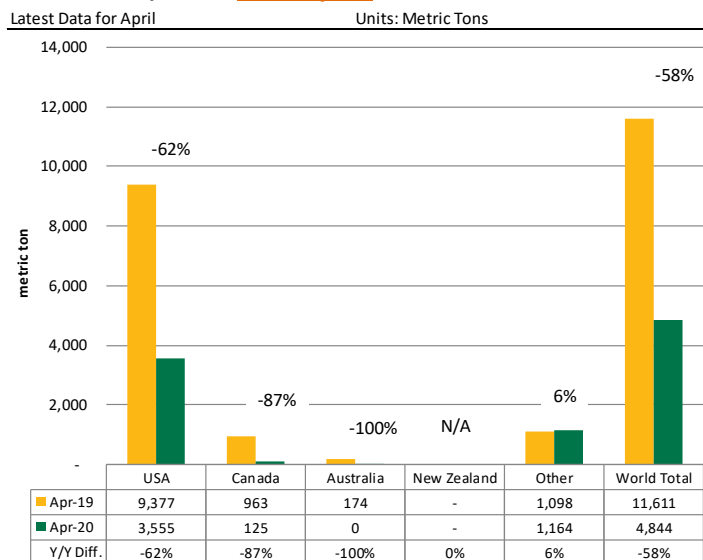
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

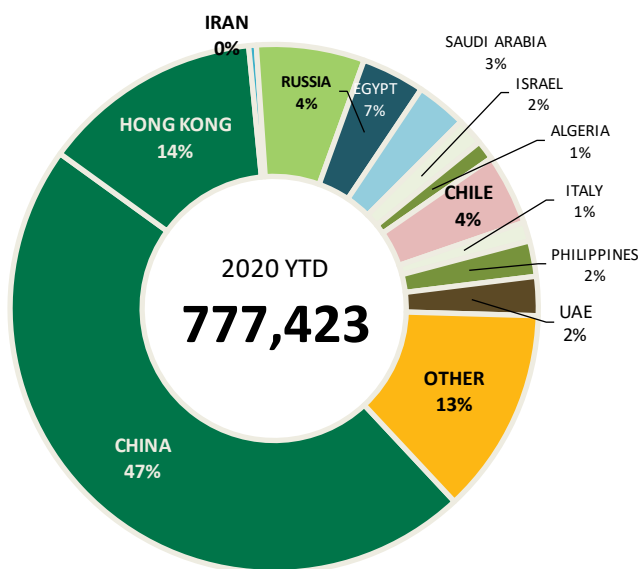
Brazil: Given price differentials, the weak currency and ample supplies, it was only a matter of time before Chinese buyers shifted the bulk of their purchases to the Brazilian market. Because of their clout, Chinese officials have become more assertive as to what they expect Brazilian plants to do in terms of keeping COVID cases under control. While the additional requirements may have slowed down shipments in the near term, Brazil is expected to remain the top beef supplier in China this year. Total Brazilian beef exports in June were 152,475 MT, up almost 41,000 MT or 37% compared to a year ago. The volume shipped was the second largest following May shipments that surpassed 155,000 MT. Exports to China in June were 77,269 MT, 56,742 MT or 276% higher than a year ago. Exports to Hong Kong were 19,534 MT, 18% higher than a year ago. Combined exports to these two markets accounted for almost 64% of all Brazilian beef shipments in June. In the first six months of the year, combined exports to China and Hong Kong were a total of 469,583 MT, 83% higher than the previous year and representing 60% of total shipments.

Fed cattle prices in Brazil remain firm given tighter supplies of finished cattle and robust export market demand. According to Brazilian reports, finished cattle prices in July increased 5.5% compared to a year ago (Brazilian Real prices) and they were 44.5% higher than a year ago. The weak Brazilian Real continues to keep prices competitive in the world market, however. In US dollar terms, the value of finished cattle in July was only 3.5% higher than a 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 all 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

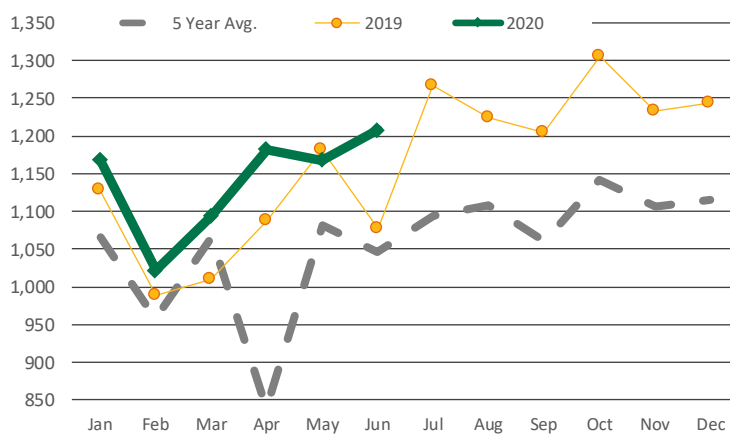
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Jun 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.

Uruguay: Uruguayan slaughter is following seasonal trends at this time. Total slaughter in the four weeks end-

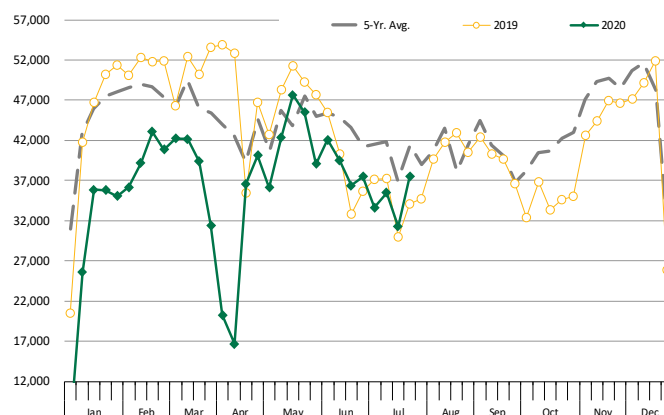
South America (continued)

ing July 25 averaged 37,471 head per week, about the same as a year ago but 14.5% lower than the five year average. Steer slaughter during this period was an average of 17,840 head/week, 19% higher than last year but cow slaughter was down 17% and producers also brought fewer heifers to market.

As with other major beef exporting countries, June saw a shift in beef trade. A strong US dollar and historically high grinding beef prices in the US caused Uruguayan packers to divert more product towards that market. China has also enhanced its requirements on food imports, causing some exporters to look elsewhere. Total exports of Uruguayan fresh/frozen beef in June were 26,916 MT, 4% lower than the previous year. Exports to China were 11,641 MT, down 41% from a year ago and exports to the EU at 2,438 MT were down 24%. On the other hand, beef shipments to the US market were 7,212 MT, 134% higher than the same period a year ago. This was the largest monthly export volume shipped to the US in 15 years. Year to date shipments to the US currently stand at 24,725 MT, 25% higher than a year ago and past the 20,000 MT quota. Exports to China in the first half of the year were 77,587 MT, down 33% from a year ago.

Uruguay Cattle Slaughter, Total

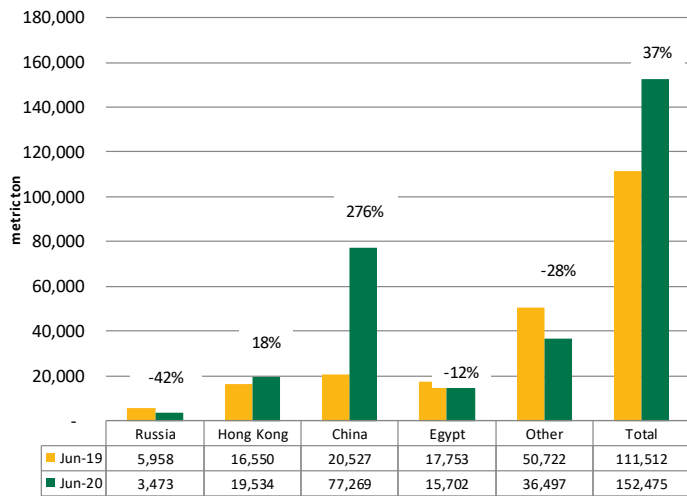
Weekly Slaughter in Head. Source: World Beef Report



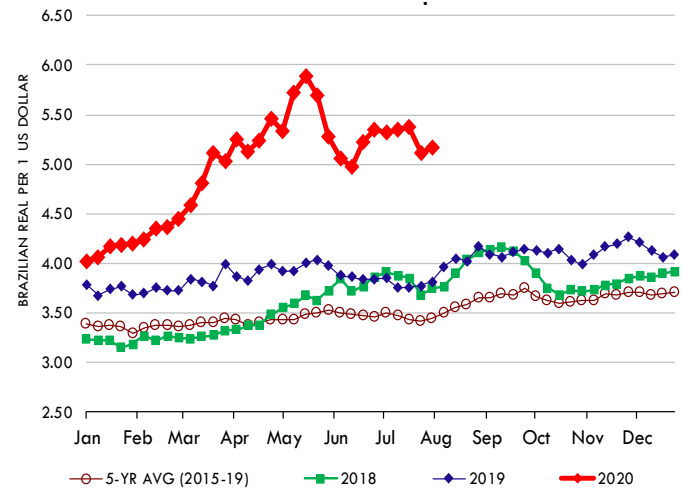
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons

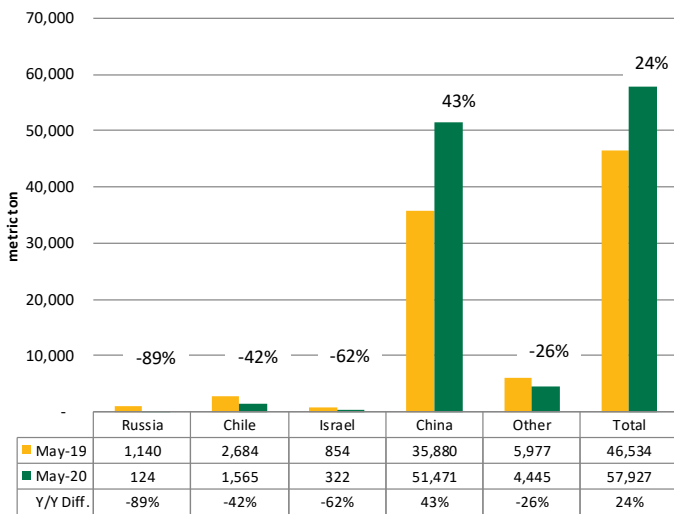


Brazilian Real Per 1 US Dollar

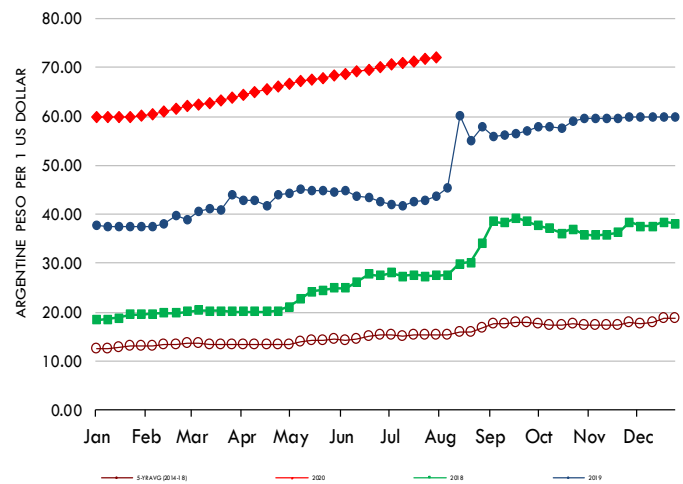


Argentina Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons

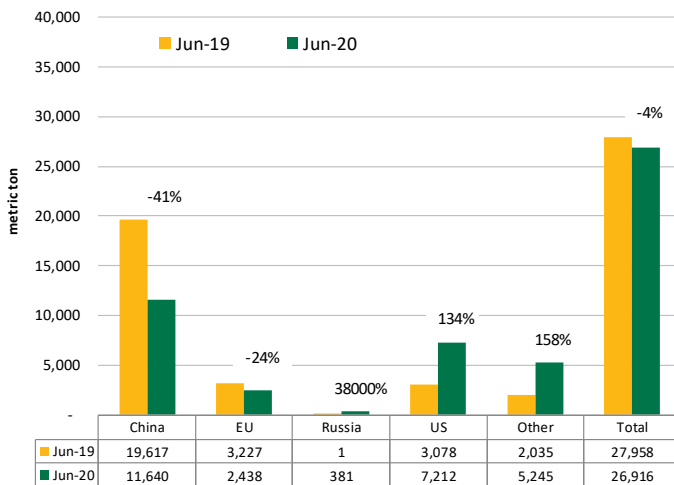


Argentine Peso Per 1 US Dollar

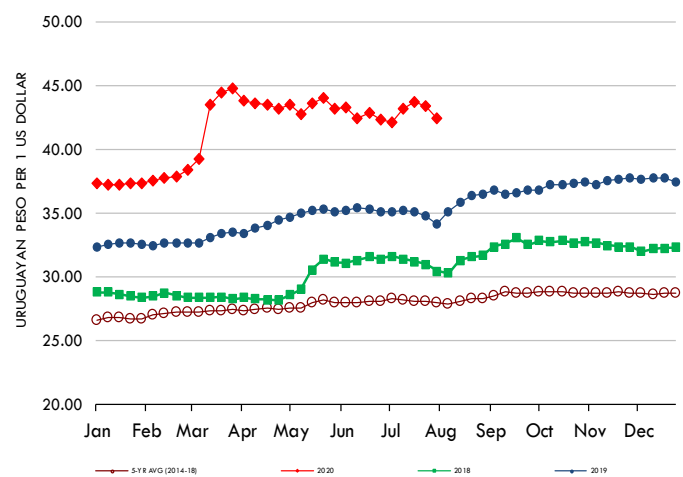


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Jun 2020 Units: Metric Tons



Uruguay Peso Per 1 US Dollar

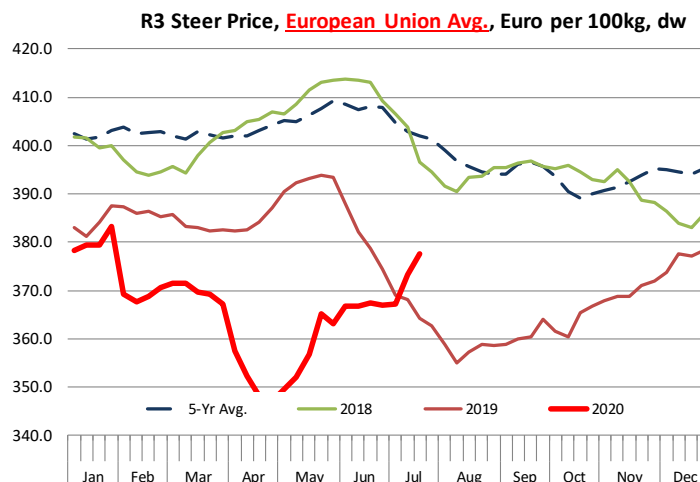


Asia / EU Market Update

European Union: Irish cattle slaughter has fully recovered following the COVID related disruptions in April and May. Total cattle slaughter in the four weeks ending July 26 averaged 35,797 head per week, 2.4% higher than the previous year. Producers continue to liquidate more cows, likely a reflection of still weak dairy demand and uncertainty about beef prices going forward. Cow slaughter during the reference period above averaged 8,881 head per week, 12% higher than a year ago. Steer slaughter during this period averaged 14,415 head per week, 14.8% higher than last year. The main category registering a decline is the number of young bulls going to market. We suspect in this has more to do with allocation of processing capacity. The backlog created in April and May means there is more demand to process finished animals, limiting the number of young bulls going to market. Young bull slaughter in the last four weeks averaged 2,201 head per week, down 47% compared to a year ago.

Cattle prices in Ireland have shown some improvement recently, reflecting the fact that producers have caught up with their marketings. Reopening of the economy in Ireland and other EU countries has also caused demand to slowly recover. Prices for R3 steers in Ireland were last quoted at 3.71 euro per kilogram (dressed wt. basis), 5.1% higher than a year ago and 9% higher than where they were in late April. The average price of steers in the EU was \$3.78 euro per kilogram, 3.7% higher than last year. UK prices continue to far outpace prices in the rest of the EU. The average price of UK steers was last quoted at 4.04 euro per kilogram, 9.3% higher than last year. Cow prices in Ireland were last quoted at 2.90 euro per kilo, 3% higher than last year. UK cow prices, as a comparison, were 3.11 euro, 10% higher than last year. Strong US prices in the US in late May and June encouraged higher shipments to the US. July imports are currently on track to be over 900 MT, the highest monthly volume on record.

China/Japan/S. Korea: Chinese beef imports in June were 32% higher than a year ago and in the first six months of the year imports have increased by 43%. Most of the increase was through higher imports from Brazil and Argentina. Imports from Brazil in June were 64,027 MT, 152% higher than a year ago. We expect July imports to show a similar and possibly bigger volume. Imports from Argentina in June were 37,543 MT, 15% higher than



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

Source: China Customs

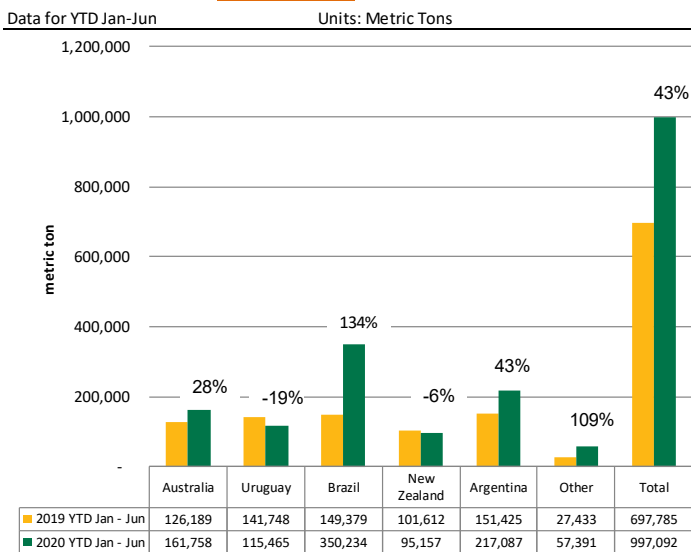
Import Partners	6/1/2019	6/1/2020	Y/Y MT	Y/Y %	Jan - Jun 2019	Jan - Jun 2020	Y/Y MT	Y/Y %
Brazil	25,384	64,027	38,643	152%	149,407	350,234	200,828	134%
Uruguay	27,485	20,245	(7,240)	-26%	141,751	115,584	(26,167)	-18%
Argentina	32,660	37,543	4,884	15%	151,426	217,451	66,025	44%
Australia	23,211	22,567	(644)	-3%	126,189	161,758	35,569	28%
New Zealand	20,222	20,679	457	2%	101,612	95,157	(6,455)	-6%
Canada	1,401	339	(1,062)	-76%	8,572	3,495	(5,076)	-59%
South Africa	-	445	445		1,873	3,943	2,069	110%
Costa Rica	708	1,723	1,015	143%	4,737	7,803	3,066	65%
United States	610	1,394	783	128%	3,515	6,098	2,583	73%
Other	2,064	7,687	5,623	272%	8,704	34,670	25,966	298%
Total	133,744	176,648	42,904	32%	697,785	996,194	298,409	43%

a year ago. In the first six months of the year, Chinese imports of Brazilian product are up some 200,000 MT or 134% from a year ago while imports from Argentina are up 66,000 MT or 44%. The increase in imports from these two countries accounts for almost 90% of the overall increase in Chinese beef imports this year. Imports from Australia are up for the year but since four major plants were delisted, the pace of imports has slowed down. Australia also filled the low quota allocation as part of its FTA with China, which also has contributed to a slow-down in shipments. Imports from Australia in June were 22,567 MT, 3% lower than a year ago.

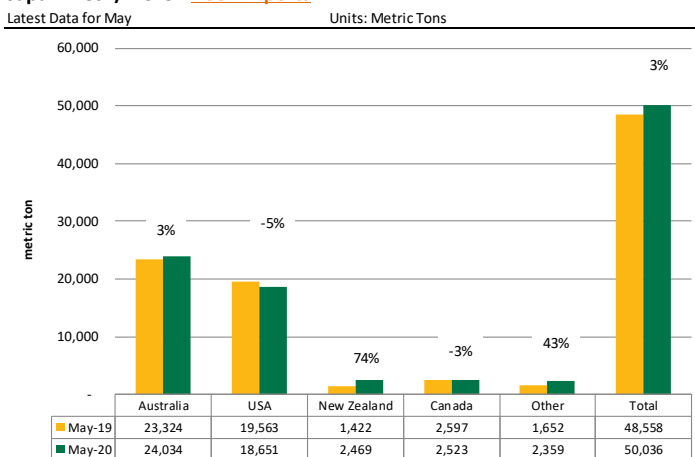
Asia / EU Trade Statistics

Japanese cattle slaughter in May was 78,790 head, 7.2% from the previous month and it was 2.5% lower than the previous year. This was the lowest level of cattle slaughter since February, which had fewer slaughter days. Wagyu breed slaughter accounted for 45% of total slaughter and wagyu production was up 1.7% in May. COVID disruptions to both domestic production and demand likely impacted the harvest rate in May. The shortfall in production also appears to have bolstered demand for imported product. Japanese beef imports in June were 176,648 MT, up 32% from a year ago.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

New Zealand: New Zealand is likely near its seasonal bottom at this time. In the four weeks ending July 4, total slaughter averaged 58,947 head per week, 6% higher than the same period a year ago. Cattle slaughter was above last year for much of June, which helped support export volumes for the month. We think in August cattle slaughter will average about 25,000 head per week. Cow slaughter through July 4 averaged 25,245 head/week, 12% higher than the previous year. Strong prices in the world market, especially in the US, and still weak dairy values likely contributed to the increase in slaughter in June and early July. Last year cow slaughter in August and September averaged around 7,900 head per week. Even if cow slaughter continues to run above last year, we still think slaughter this year will be about a third of what it was in June, limiting exports during that period.

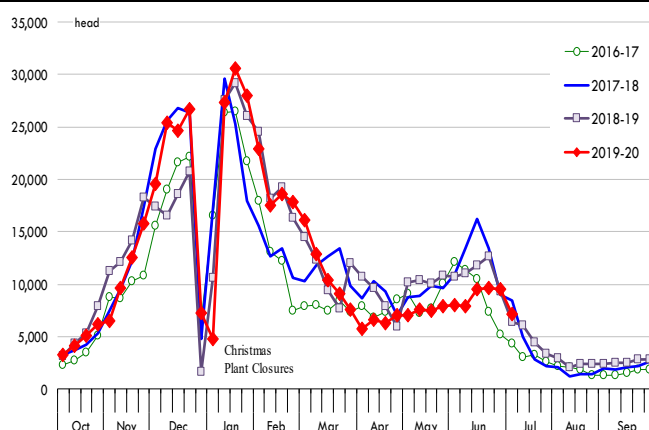
New Zealand June exports of fresh/frozen beef were 47,358 MT, 3% lower than a year ago. Exports to the US were up 82% while China declined 46%.

Australia: Australian slaughter has been trending lower in recent weeks and that trend is unlikely to change in the near term. Moisture conditions have improved significantly, limiting the flow of animals into slaughter plants. After three years of herd liquidation the supply of market ready animals is limited and better pastures have incentivized herd rebuilding. The Eastern Young Cattle Indicator was last quoted at 752.75, up 3.3% from the previous week and 41% higher than a year ago. The reduction in slaughter cattle availability may be further compounded by more restrictive measures to control the spread of COVID-19. On Sunday, August, the premier of the state of Victoria announced stage four lockdown restrictions for Melbourne as the number of cases in the state showed a significant increase. For meat plants, the rules in Victoria call of a 30% reduction in the workforce at the plants. It remains to be seen if the situation in Victoria is replicated in other states. The situation in Queensland so far is much better, with now new cases in the last 24 hours vs. 429 in Victoria.

Australian beef exports in June were 3.6% lower than a year ago and initial data suggests July shipments were lower as well. Exports to the US market in June were 26,161 MT, 30.4% higher than a year ago. This was the highest monthly export volume to the US since May 2016. Strong prices for grinding beef in the US and lack of full access to the Chinese market affected the shift. Ex-

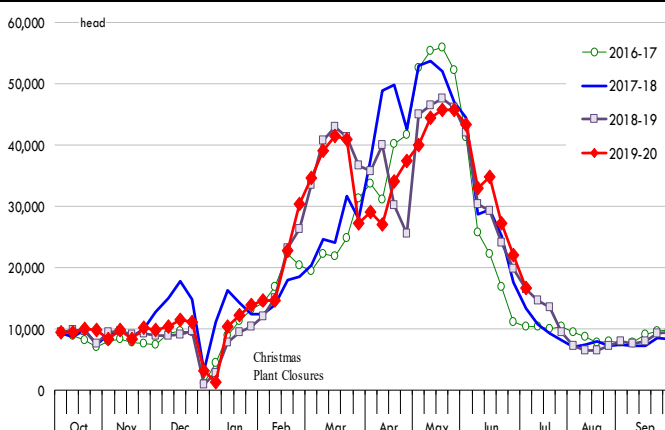
New Zealand Weekly Bull Slaughter

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



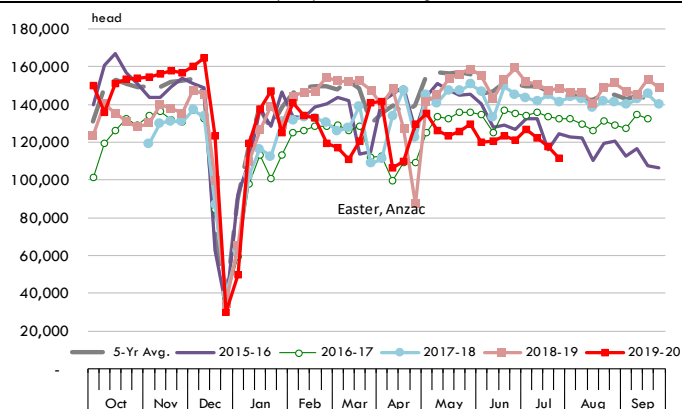
New Zealand Weekly Cow Slaughter

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



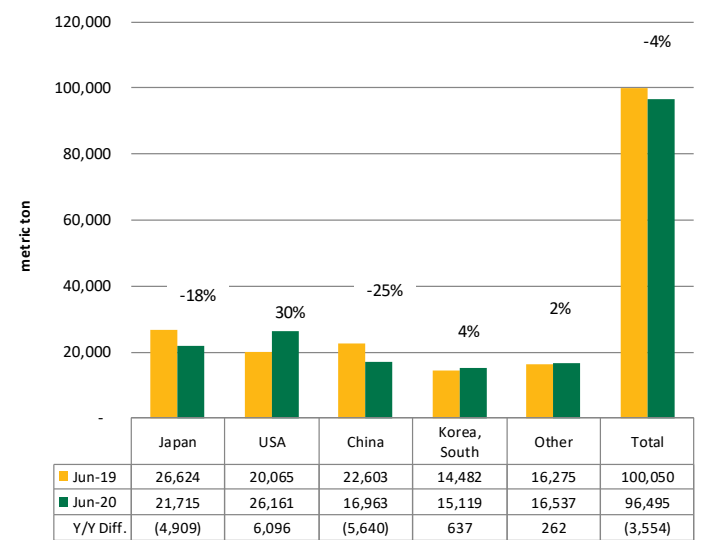
ports to China in June were 16,963 MT, down 25% from a year ago. The low tariff quota was exhausted earlier than normal this year, which may have also contributed

Oceania Statistics

to the decline. We think July shipments to China were around 19,500 MT, 32% lower than a year ago. Exports to other markets were mixed. Exports to Japan were 21,715 MT, 18.4% lower than a year ago while exports to South Korea at 15,119 MT were 4.4% higher.

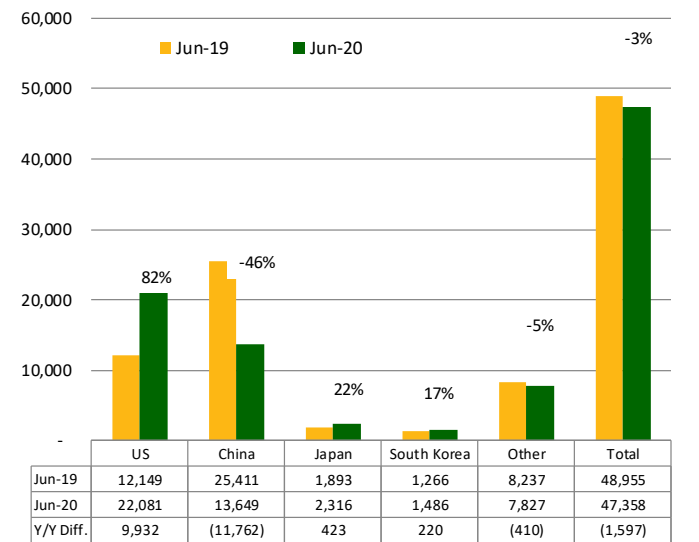
Australia Fresh/Frozen Beef Exports

Latest Data for June Units: Metric Tons



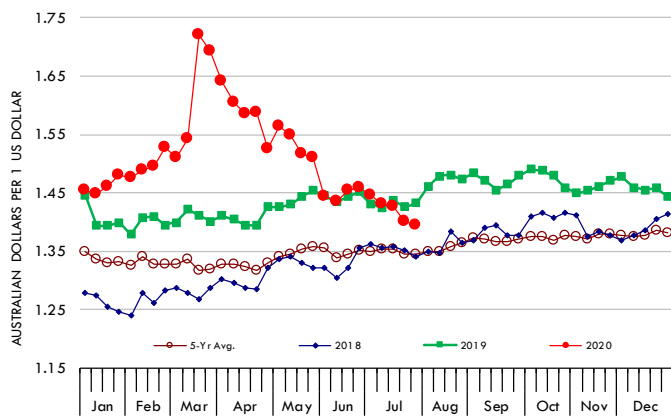
New Zealand Fresh/Frozen Beef Exports

Latest Data for June 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

