

Global Beef Market Monthly Review

August 2020

August 31, 2020

Volume 2, Issue 8

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Highlights:

- China beef imports in July were over 205,000 MT, a 35% jump compared to a year ago. We continue to hold to our projection that China imports in 2020 will increase by 30% compared to a year ago. This represents an almost 500,000 MT increase, absorbing all of the expected supply growth in South America.
- Australia exports for 2020 are currently forecast to decline by 7%. This is a much more aggressive forecasted decline than what USDA is projecting. Through July Australian exports were 6% lower than the previous year.
- Brazil has become the primary supplier of beef to China even COVID outbreaks in Brazilian slaughter plants have sometimes resulted in plants being delisted. Through July Brazilian beef exports were up 17% higher than a year ago. In order to ramp up shipments to China less beef has gone to traditional markets in the Middle East and Europe.
- The weak Argentine Peso and strong demand in China continues to bolster exports. Producers are sending more cattle to market even as the inventory numbers have plateaued. In the first six months of the year, Argentine slaughter was up 5.7% from a year ago.
- US imports have increased in the last two months as strong prices have encouraged imports from traditional and new suppliers in South America and Ireland.

Trade Update for Key Global Players

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

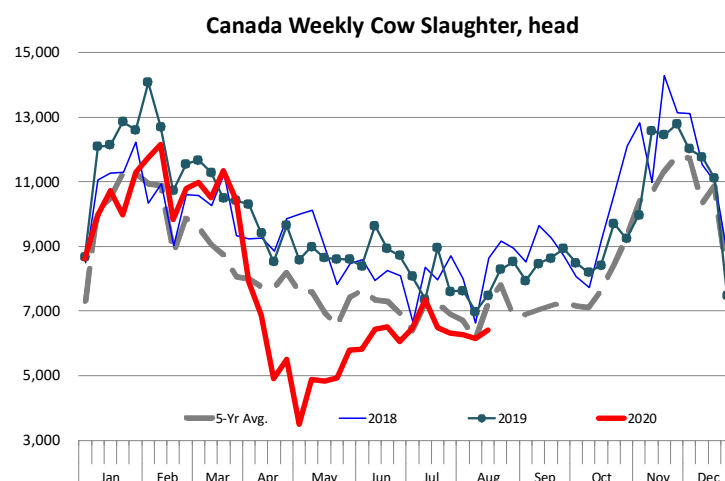
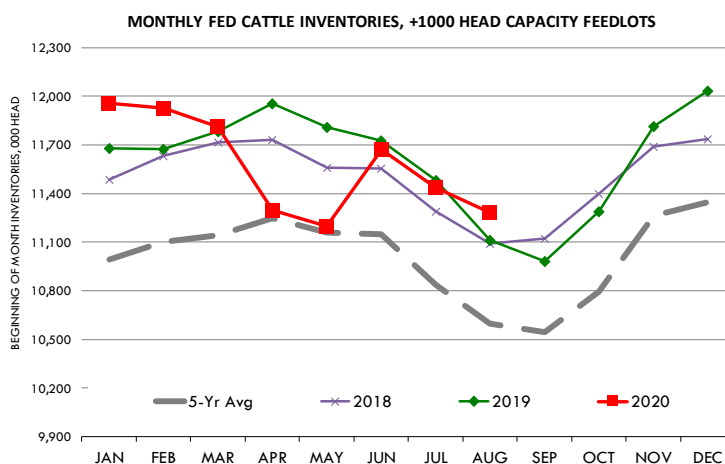
Countries	% of global export	% of global imports	Most Recent Trade Data		Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.
EXPORTS							4,755,890	4,892,654	136,764	3%
Australia	19%	0%	Jun 2020	96,495	-3,554	-4%	1,228,963	1,142,936	-86,027	-7%
Argentina	2%	0%	May 2020	57,927	11,393	24%	566,272	639,887	73,615	13%
New Zealand	7%	0%	Jul 2020	40,574	1,428	4%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Jul 2020	169,247	40,157	31%	1,535,091	1,725,442	190,351	12%
USA	11%		Jun 2020	57,984	-29,595	-34%	961,419	924,885	-36,534	-4%
IMPORTS							3,900,668	4,415,973	515,305	13%
USA		20%	Jun 2020	100,338	14,382	17%	976,446	1,015,504	39,058	4%
China	0%	9%	Jul-20	205,617	53,405	35%	1,657,151	2,154,297	497,145	30%
Hong Kong			Jun 2020	31,352	5,067	19%	364,920	328,428	-36,492	-10%
Japan	0%	9%	Jun 2020	50,719	3,422	7%	615,381	633,842	18,461	3%
Russia	0%	8%	Jun 2020	15,822	-5,646	-26%	286,770	283,902	-2,868	-1%

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

North America Market Update

United States: Slaughter plant closures this past spring caused a significant amount of disruption in the flow of cattle from grass to feedlot to the consumer. The June 1 inventory of cattle with +150 days or more on feed stood at over 1 million head above previous year levels. The backlog of long fed cattle clearly impacted fed cattle weights and we did not get the normal slump in weights that is usually the case in late spring. Feedlots so far have done an excellent job of not allowing fed carcass weights to get out of hand. Since the first week of June, fed steer weights are up 17 pounds, less than half the carcass weight gain for this period a year ago. Despite all these efforts, fed cattle weights remain well above year ago levels, however. For the week ending August 15 (latest data), fed steer carcass weights averaged 909 pounds, 28 pounds or 3.2% higher than a year ago. Fed weights are also running above 2015 levels, a year that saw feedlots fall hopelessly behind in their marketings and resulted in a major price correction in the fall of that year. That year, fed cattle values lost ground for much of the summer and fall, coming down from the all time record levels established the previous year. As late as mid August of that year (2015) fed cattle prices were in the high 140s. By mid October 2015 prices had pulled back to around 117. The inventory of cattle with +120 days on feed on August 1, 2020 was 4.364 million head, 8.8% higher than the same period a year ago. This is also by far the highest August 1 inventory of +120 day cattle. Last year it was 4.010 and the previous year it was 3.991.

Fed cattle supplies, at least in the near term, remain plentiful and marketing cattle in a timely fashion remains key for feedlots in the near term. While slaughter has recovered compared to earlier this spring, it remains under last year's levels. Last week, fed cattle slaughter was estimated at 523,000 head, 0.2% lower than last year. Keep in mind that last year the Tyson plant fire removed one major packing plant from available capacity. Packers at the time were able to make up some of the lost capacity by running harder on Saturday. This will be more difficult to do this year as packers already are running as hard as they can. So far this month, Mon-Fri fed cattle slaughter has averaged 93,110 head/day, just slightly higher than a year ago. Saturday slaughter in the first three weeks of the month has averaged 54,539 head/day, down 5.5% from a year ago. At this time we are projecting fed cattle slaughter for August down 3.8% from a year ago. There was one less mar-



keting day in August 2020 which impacts the year/year comparison. This will reverse in September when 2020 has one more marketing day than 2019.

Canada: Canadian cattle slaughter is back to year ago levels, in large part due to more fed cattle coming to market. Feedlot inventory is currently higher than a year ago and COVID transportation and slaughter disruptions have kept more cattle in Canada rather than crossing the border for slaughter in the US. Steer and heifer slaughter in Canada in the four weeks ending August 15 averaged 3.3% above year ago and 12.5% higher than the five year average. Cow slaughter during this period was down 15% from last year and 7% vs. the 5-yr average.

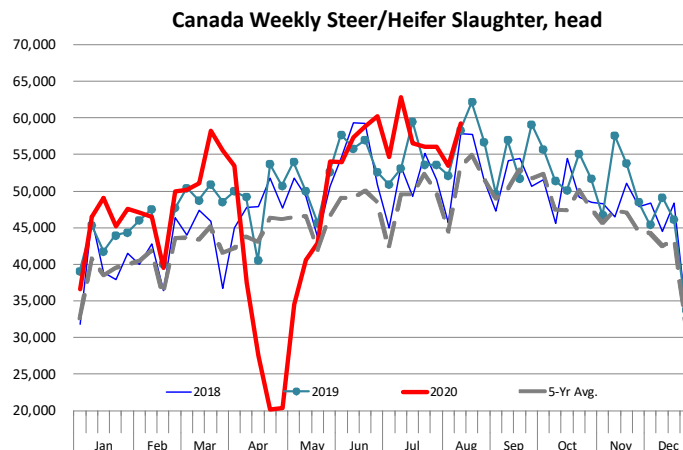
The Canadian cattle industry has been shrinking for more than a decade and that trend shows few signs of

North America (continued)

turning. Other than a very brief herd rebuilding process in 2016 and 2017, the Canadian beef cow herd has been consistently lower since 2005. According to the July inventory survey, the beef cow herd declined by 1.730 million head or 31.8% between July 1, 2005 and July 1, 2015. Limited beef supplies in the US and resulting strong prices offered strong incentives to rebuild and the beef cow herd increased by 65,000 head in 2016 and 2017. The return to profitability proved to be short lived and Canadian producers have been liquidating beef cows ever since. The beef cow herd on July 1, 2020 was estimated at 3.616 million head, down 51,000 head or 1.4% compared to a year ago and 155,000 head or 4.1% lower than in 2017. The dairy cow herd in Canada remains stable. The July 1 dairy cow inventory was estimated at 967k head vs 968k head last year and 970k head two years ago.

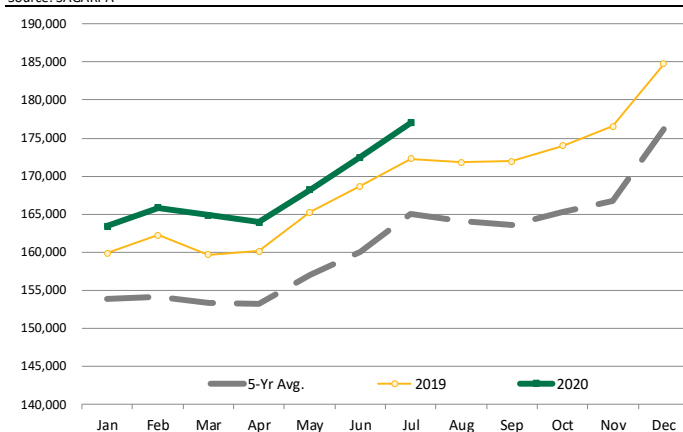
Mexico: Mexican beef production continues to follow the same seasonal pattern we typically see. Beef production in July was 176,980 MT, 2.6% above the previous month and 2.7% above the previous year. Beef production has been steadily increasing from a year ago, trending about 2.5% above year ago levels for the entirety of 2020, with January-July production at 1.176 million MT. Production in Jalisco and Veracruz, the largest producing states, accounted for 25% of the total production. However production in Veracruz registered their first year-over-year decline in 2020, declining 1.8% from the previous year.

While the Mexican Peso has recovered substantially from where it was this spring, it remains below year ago levels by some 10%. A cheap Peso and record US beef prices earlier this year have helped put Mexican beef exports on pace for a record year. After a good start to the year, exports have picked up considerably in May and June. Exports in May were 31,186 MT, 40% higher than the previous year. Beef exports from Mexico in June totaled 32,108 MT, 59% above year ago levels and the largest monthly volume so far. This has put year-to-date exports 16.3% higher than the same period last year. Exports to the US in June were 66% above year ago levels, totaling 28,001 MT. This is 87.2% of total exports and when looking at year-to-date values, the US has accounted for 86.2% of all beef shipments from Mexico. While below the levels seen in June, weekly trade data for August implies continued strong inflows. For the 3 weeks ending 8/15, shipments of Mexican beef to the US were



Mexico Beef Production

Source: SAGARPA

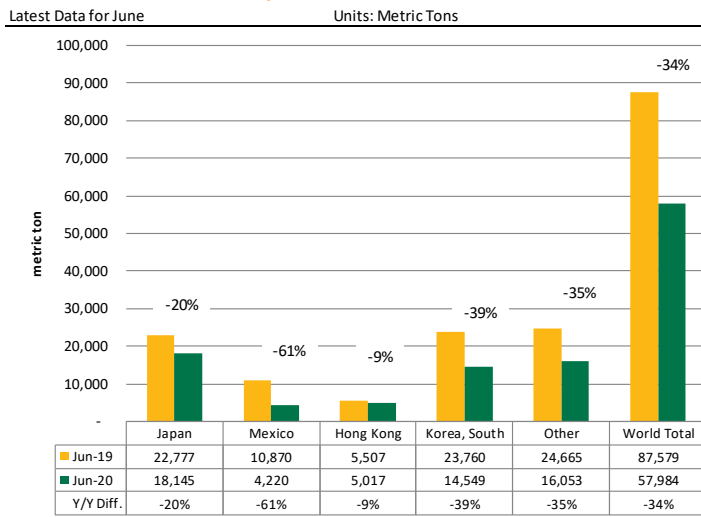


16,906 MT, 33.8% above the same 3 weeks in 2019.

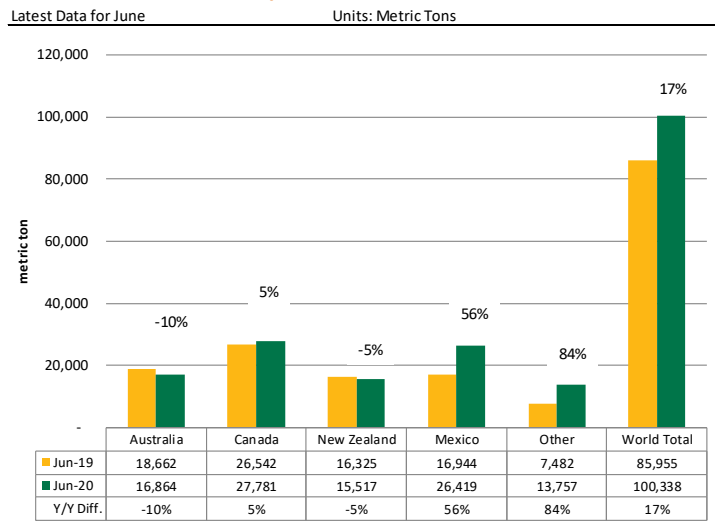
The central bank of Mexico recently estimated that the economy could contract by 13% this year after grim GDP data resulting from pandemic lockdowns. The hardest hit sectors were manufacturing, mining, and construction, which saw GDP decline 23.4% in the 2nd quarter. On a brighter note, primary activities, which include farming, only declined 2% in Q2.

North America Trade Statistics

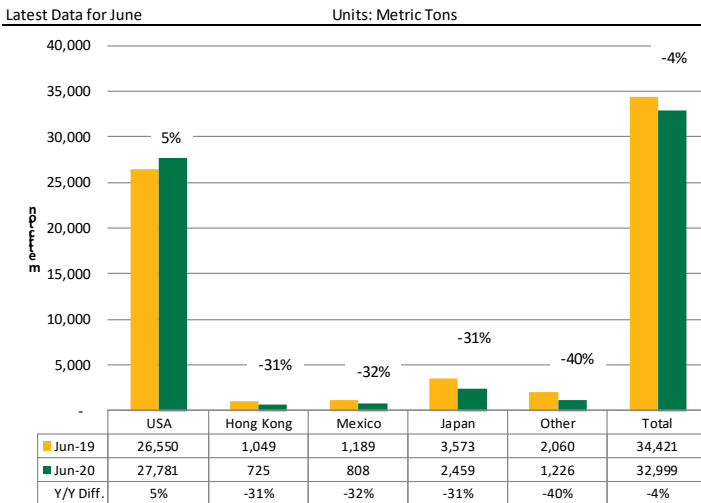
USA Fresh/Frozen Beef Exports



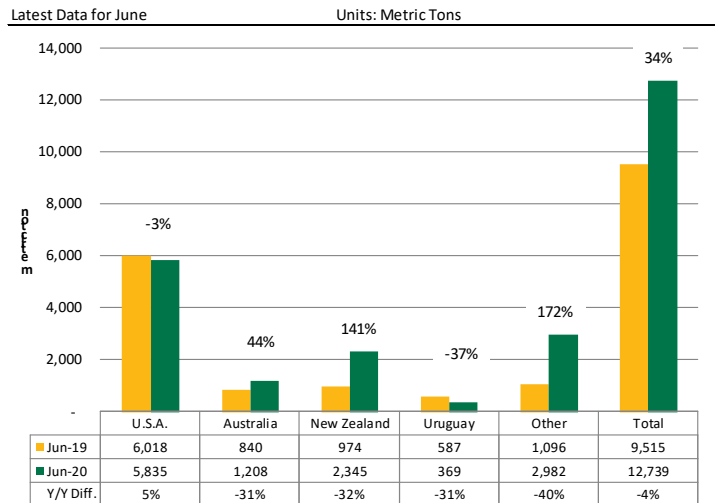
USA Fresh/Frozen Beef Imports



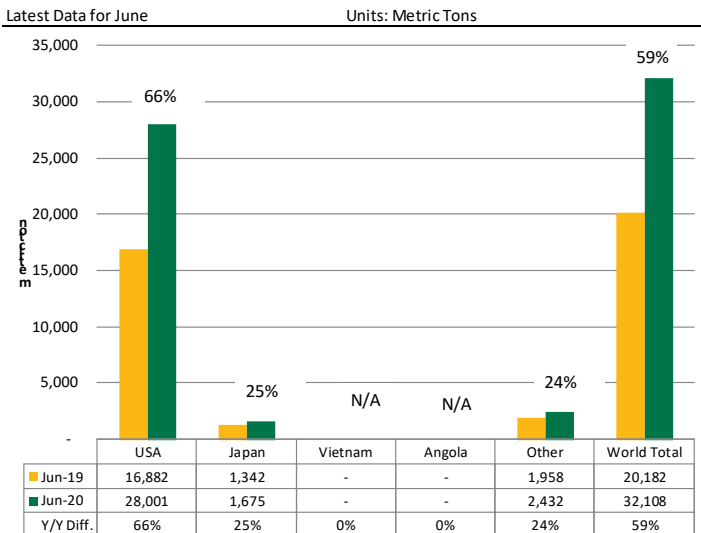
Canada Fresh/Frozen Beef Exports



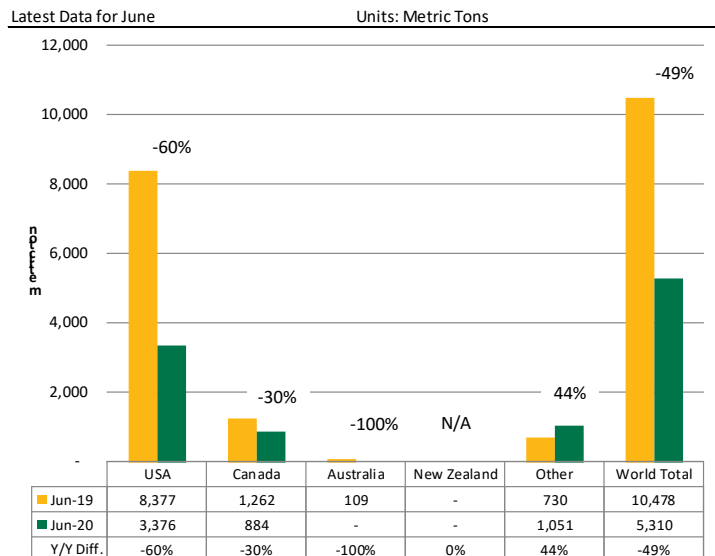
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

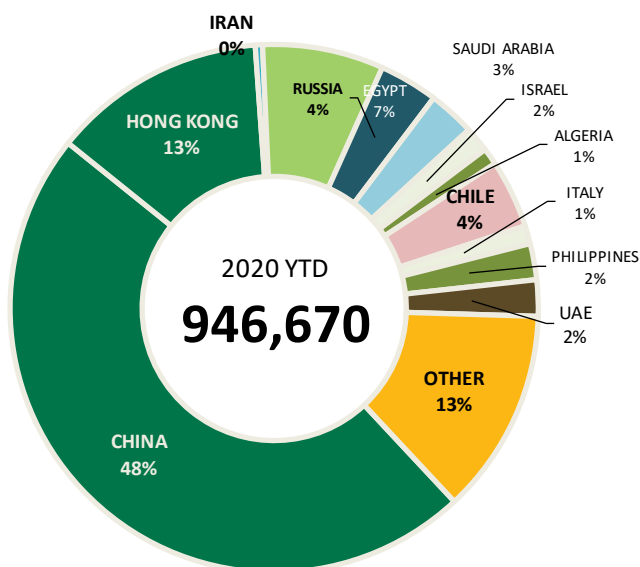
Brazil: Chinese purchases of Brazilian beef have been unrelenting in the last three months. The Chinese economy has come out of COVID induced restrictions more quickly and in far better shape than other countries. While many countries are expected to register negative growth this year, the Chinese economy is expected to expand by 3% or more. Total Brazilian beef exports in July were 169,247 MT, 31% higher than a year ago. Not only did China account for all the increase in exports, it also resulted in less beef going to other markets. Exports to China in July were 87,022 MT, 206% higher than a year ago and accounting for over half of all exports. This was the highest monthly export volume to China ever recorded. Exports to all other markets were lower than last year. Exports to Hong Kong are down as more beef is now going directly to the Mainland.

The weak Brazilian currency and the intentional decision on the part of China to limit purchases in Oceania have bolstered demand for Brazilian beef in China. The result has been very strong price inflation for Brazilian cattle in local currency terms. Latest data shows finished cattle prices in Brazil are currently 46% higher than a year ago in Real terms and also 8% higher in US currency terms. So far, COVID disruptions have had very limited impact in the amount of product going to export but domestic inflation is increasingly becoming a concern. And this is not an issue just for beef. Recently Brazilian authorities approved the removal of tariffs on imports of rice, soybeans and corn as the weak currency has resulted in significant price inflation.

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

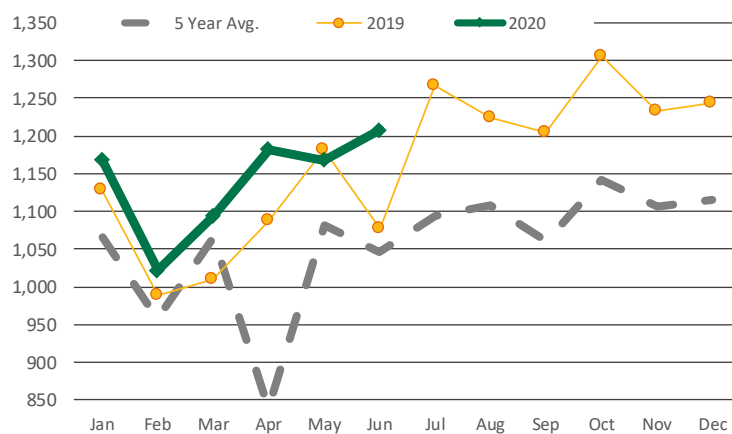
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Jul 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 cattle slaughter has been running under year ago levels for much of the year and that trend

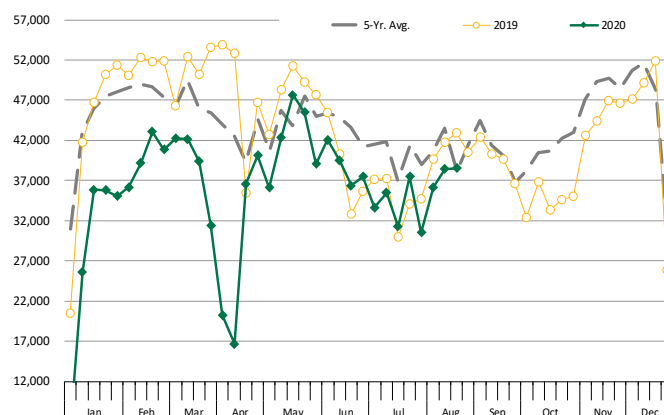
South America (continued)

continued in July and August. In the four weeks ending August 22, weekly slaughter averaged 35,923 head/week, 9.6% lower than a year ago and 12% lower than the five year average. Steer slaughter during this period averaged 19,027 head/wk, 1.9% lower than last year. Cow slaughter, on the other hand, remains well below year ago levels. In the last four weeks it averaged just 10,000 head per week, down 23% from last year and 45% compared to the five year average.

Uruguayan beef exports were higher in July even as overall slaughter continues to run below last year. July export shipments of fresh/frozen beef were 25,522 MT, 12% higher than a year ago. China was once again the top market but exports were down 23% compared to a year ago. This is not an anomaly. Exports to China during Jan-Jul period were 89,766 MT, 43,206 MT or 32% lower than a year ago. The US market was the second largest market for Uruguay in July. The strong US dollar and high beef prices helped bolster shipments. In the first seven months of the year, Uruguayan beef exports to the US were 31,681 MT, almost 10,000 MT or 46% higher than a year ago. Total exports during this period were still as much as 15% lower than last year.

Uruguay Cattle Slaughter, Total

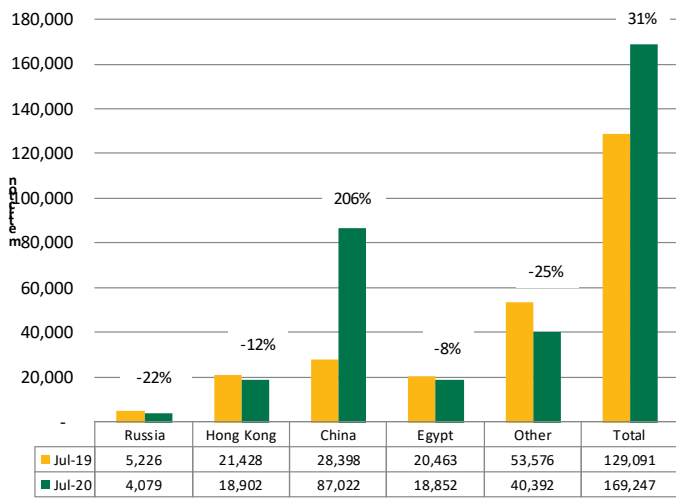
Weekly Slaughter in Head. Source: World Beef Report



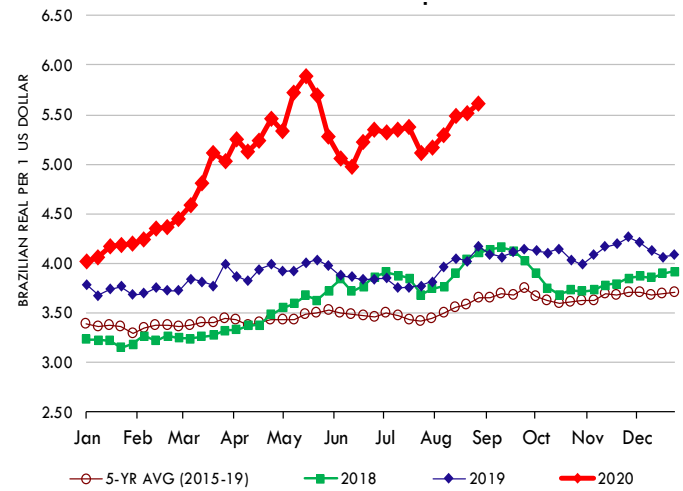
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons

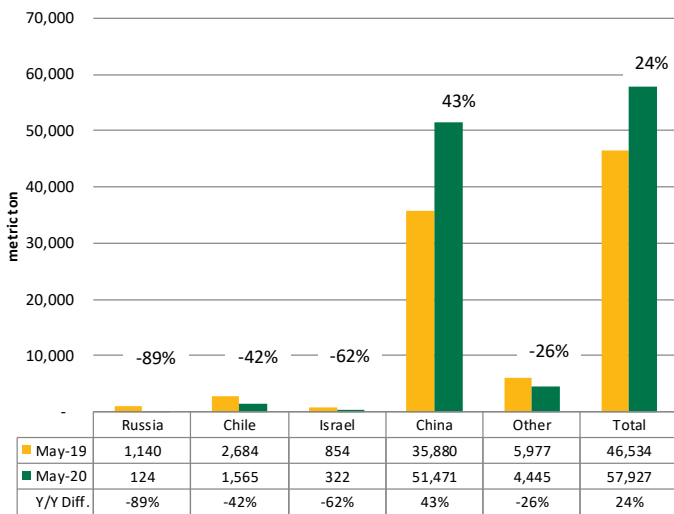


Brazilian Real Per 1 US Dollar

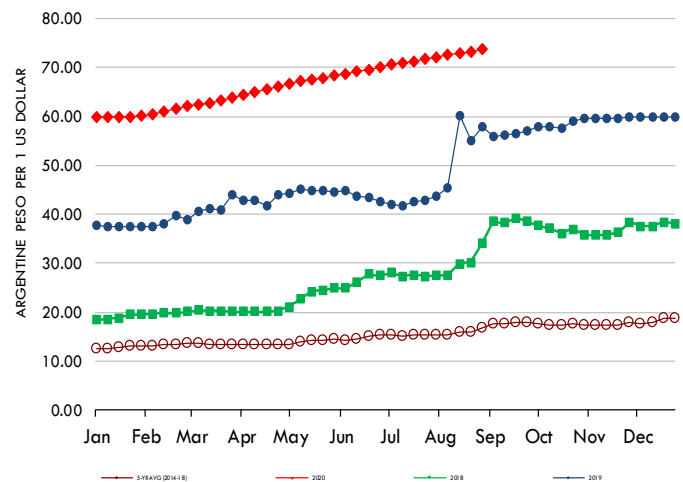


Argentina Fresh/Frozen Beef Exports

Latest Data for May Units: Metric Tons

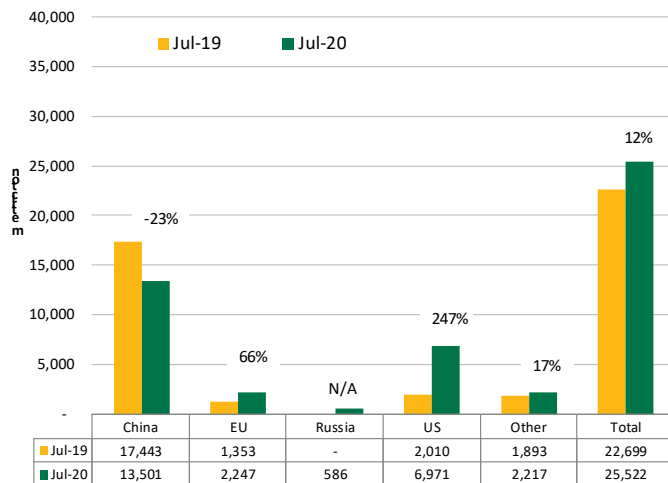


Argentine Peso Per 1 US Dollar

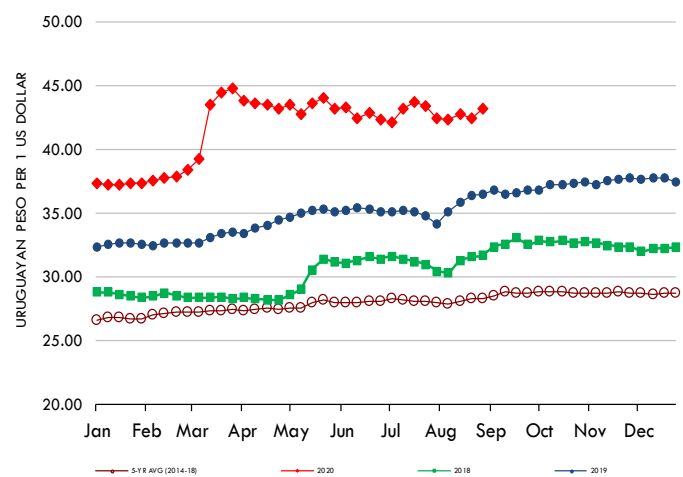


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Jul 2020 Units: Metric Tons



Uruguay Peso Per 1 US Dollar

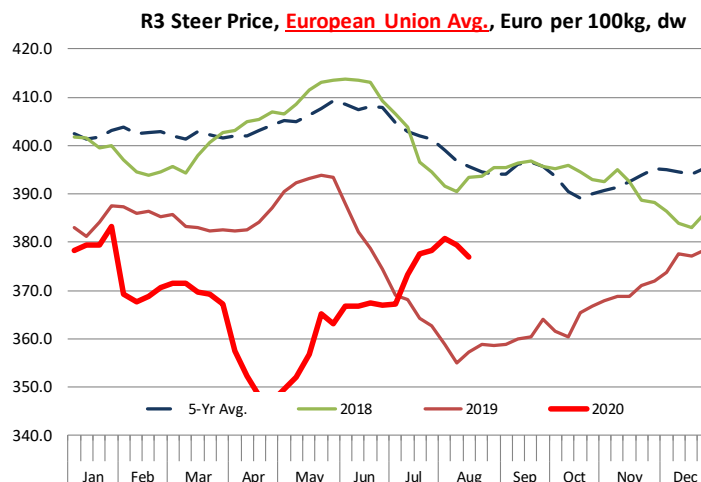


Asia / EU Market Update

European Union: Irish cattle slaughter continues to track close to normal at this time but far higher than the COVID induced lows in April and early May as well as last year's strike shortened kill. Cattle slaughter in the four weeks ending August 23 averaged 34,054 head per week, 17% higher than the previous year. Producer strike's last year significantly impacted processing during August and September. Cow slaughter during the reference period above averaged 6,631 head per week, 19% higher than a year ago. Cow slaughter has slowed down compared to June and July when weekly slaughter was as high as 9,500 head per week. Steer slaughter during this period averaged 16,269 head per week, 29% higher than last year. The main category registering a decline is the number of young bulls going to market. Young bull slaughter in the last four weeks averaged 1,465 head per week, down 45% 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. The UK market remains key for Irish exports as it takes almost half of all the volume. The majority of Irish beef goes to foodservice establishments. Prices for R3 steers in Ireland were last quoted at 3.71 euro per kilogram (dressed wt. basis), 8% higher than a year ago and 9% higher than where they were in late April. The average price of steers in the EU was 3.77 euro per kilogram, 5.5% 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 4.18 euro per kilogram, 15.9% higher than last year. Cow prices in Ireland were last quoted at 2.97 euro per kilogram, 4% higher than last year. UK cow prices, as a comparison, were 3.19 euro per kg, 10% higher than last year. Strong US prices in late May and June encouraged higher shipments to the US. US imports from Ireland in July likely exceeded 1,000 MT and August imports could be over 700 MT.

China/Japan/S. Korea: Chinese beef imports in July 205,617 MT, 35% higher than a year ago. This was the second highest monthly export volume on record, after the 216,046 MT imported in March. During the period Jan - Jul, Chinese beef imports have been slightly higher than 1.2 million MT, 351,000 MT or 41% higher than a



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

Source: China Customs

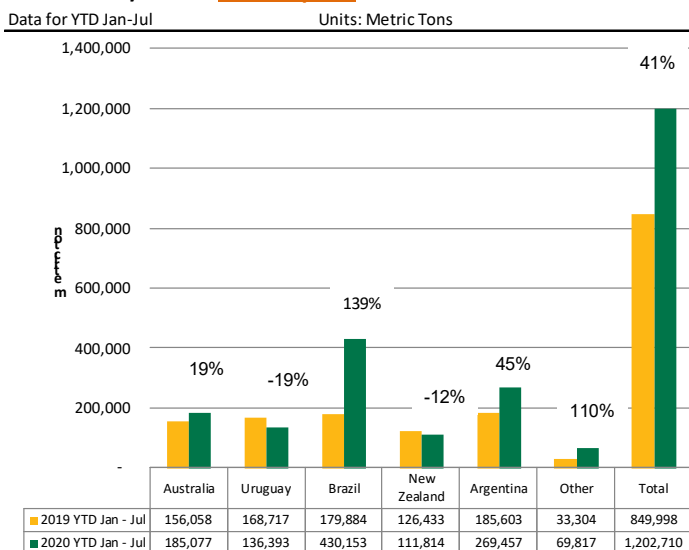
Import Partners	7/1/2019	7/1/2020	Y/Y MT	Y/Y %	Jan - Jul		Y/Y MT	Y/Y %
					2019	Jan - Jul 2020		
Brazil	30,505	79,919	49,413	162%	179,912	430,153	250,241	139%
Uruguay	26,968	20,950	(6,018)	-22%	168,720	136,534	(32,185)	-19%
Argentina	34,179	52,460	18,281	53%	185,604	269,910	84,306	45%
Australia	29,869	23,319	(6,551)	-22%	156,058	185,077	29,019	19%
New Zealand	24,821	16,657	(8,164)	-33%	126,433	111,814	(14,619)	-12%
Canada	1,352	263	(1,089)	-81%	9,923	3,758	(6,165)	-62%
South Africa	-	1,700	1,700		1,873	5,643	3,769	201%
Costa Rica	900	1,367	467	52%	5,637	9,170	3,533	63%
United States	821	1,318	497	61%	4,335	7,416	3,080	71%
Other	2,798	7,667	4,869	174%	11,502	41,326	29,824	259%
Total	152,213	205,617	53,405	35%	849,998	1,200,801	350,803	41%

year ago. Much of the increase in the last three months has come via higher imports from South American suppliers, especially from Brazil. Total imports from Brazil in July were 49,413 MT or 162% higher than a year ago. Imports from Brazil in July represented 39% of all Brazilian beef imports for the month. Through July, imports from Brazil have accounted for a little over a third of Chinese beef imports. Imports from Argentina continue to increase even as Chinese officials have delisted some plants or Argentine officials have voluntarily suspended shipments due to COVID outbreaks. Imports from Argentina in July were up 18,281 MT or 53% from a year ago.

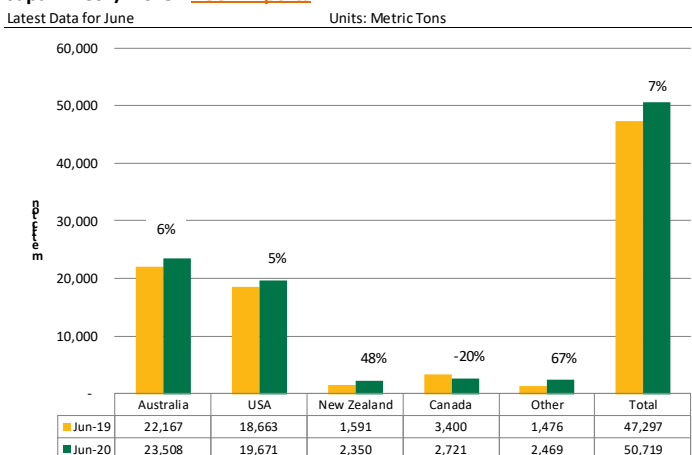
Asia / EU Trade Statistics

Japanese cattle slaughter in June was 86,617 head, 9.4% higher than a year ago. The increase was largely due to a smaller than normal slaughter level in May, possibly due to the impact from COVID outbreaks. Slaughter in the first six months of the year still is 0.5% lower than a year ago. Adult cattle slaughter in June was 9.3% higher than a year ago but in the first six months of the year it was still 1% smaller than the year prior. Wagyu breed cattle slaughter through the first six months of the year was 213,707 head, 1.2% higher than a year ago and represented 44% of total slaughter.

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

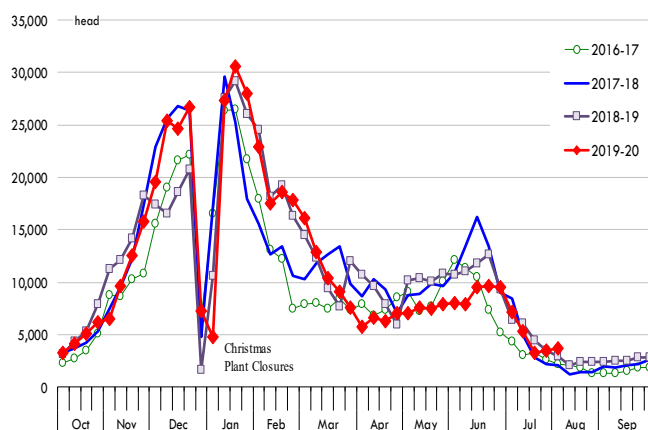
New Zealand: New Zealand cattle slaughter continues to drift lower but overall volume of cattle coming to market remains above year ago levels. For the week ending August 1, total cattle slaughter was estimated at 32,577 head, down from 46,879 head in early July and 75,348 head at the end of May. Slaughter should continue to drift lower but producers appear to be sending more cows to market than they did a year ago. Poor dairy returns and ongoing uncertainty in the sector has likely encouraged some liquidation. Cow slaughter for the last reported week was 12,707 head, up 34% from a year ago. In the last four reported weeks, New Zealand cow slaughter has averaged 14,857 head per week, up 3000 head/wk or 25% compared to a year ago. Bull slaughter remains extremely limited at this time, in line with seasonal trends. In the last four weeks bull slaughter, at just under 4,000 head per week, was down 6.4% from a year ago.

Australia: It appears that Australian herd rebuilding is in full force, limiting beef supplies in the near term. Slaughter statistics in Australia are reported with a significant lag. The latest data is for the month of June and it showed that total slaughter of adult cattle for the month was 20.6% lower than a year ago. Cow and heifer slaughter in June was down 17.6% but there are reports that cow slaughter numbers have declined sharply in the last few weeks. Weekly slaughter in the four weeks ending August 21 averaged 109,363 head per week, down 25% compared to a year ago. Slaughter in Queensland, the largest producing state, has averaged down 31% in the last four weeks. Prices for young cattle in Australia have skyrocketed as producers are looking to rebuild. The Eastern Young Cattle Indicator was last quoted at 784 Australian cents per kilogram, up 2% from a week ago and 55% higher than last year.

The decline in slaughter has significantly limited the amount of beef available for export. So far Australian packers have shifted supplies so they maintain a steady supply for the US market while sharply reducing exports to China. In large part the reduction in exports to China reflects the delisting of a number of plants in that market. A report in Australian media noted that a fifth Australian processors, John Dee Warwick, was recently delisted from shipping to that market. Australian beef exports to China in July were 12,554 MT, down 56% compared to a year ago. We think August shipments will be a bit higher than they were in July but still down about 35-40% compared

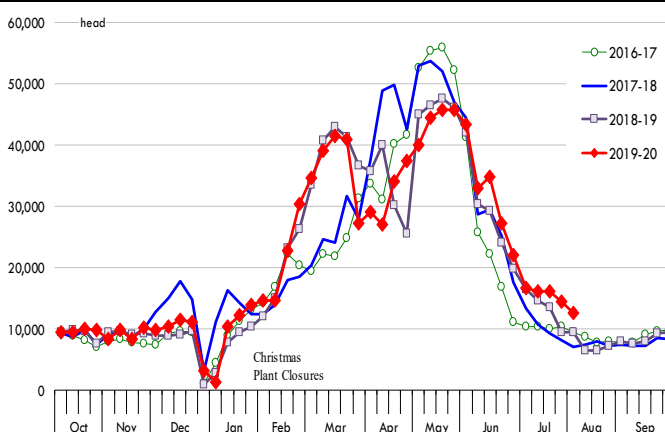
New Zealand Weekly Bull Slaughter

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



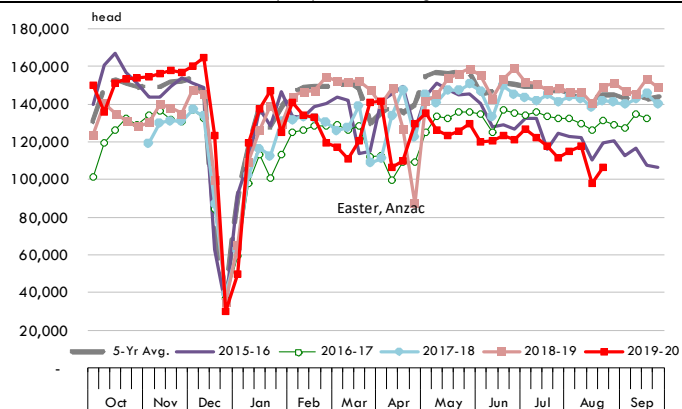
New Zealand Weekly Cow Slaughter

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



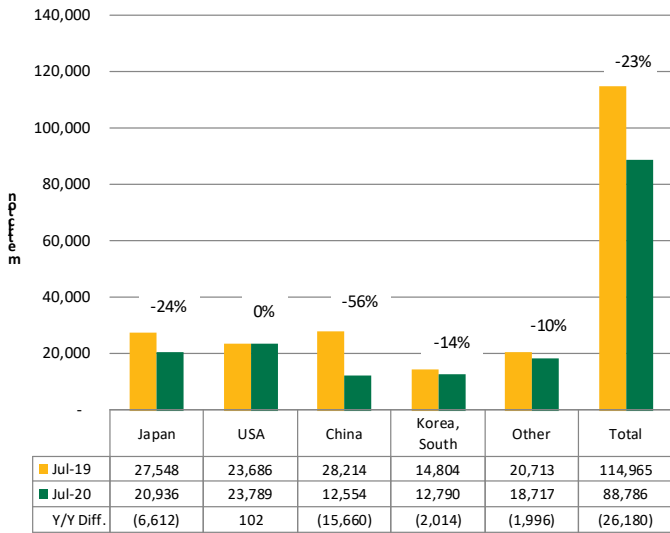
to a year ago. Beef exports to the US in July were 23,789 MT, about unchanged from a year ago. We currently estimate that shipments in August will be a little under

Oceania Statistics

20,000 MT, about 2% lower than last year. Exports to Japan and S. Korea in July were down 24% and 14%, respectively. Overall, total Australian beef exports in July were 88,786 MT, 23% lower than last year. We project total exports in August to be 82,250 MT, down 22% vs. 2019.

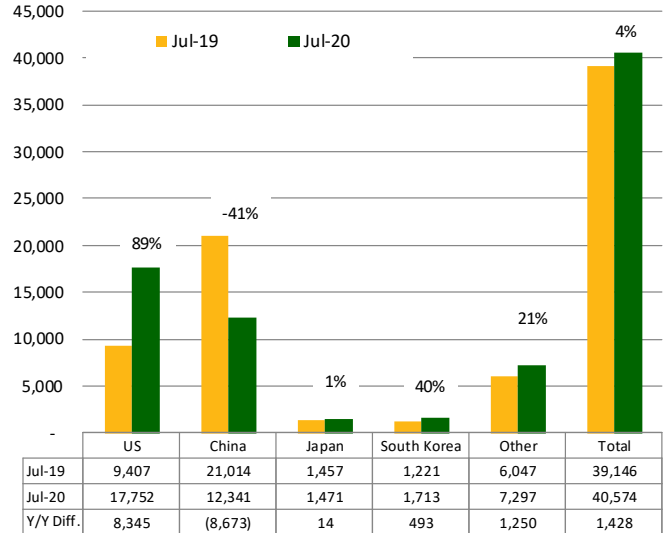
Australia Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons



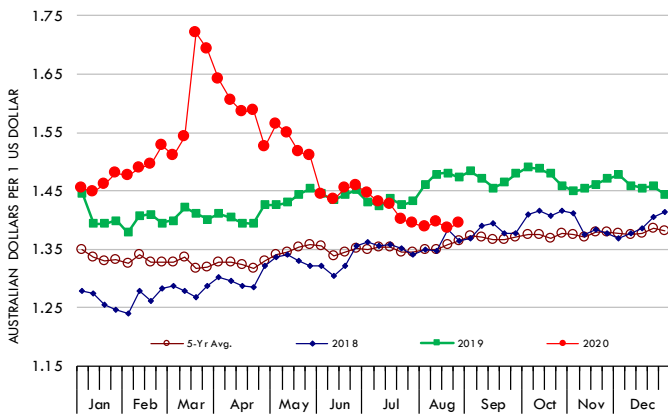
New Zealand Fresh/Frozen Beef Exports

Latest Data for July-20 Units: Metric Tons



AUSTRALIAN DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate



NEW ZEALAND DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate

