



# Global Beef Market Monthly Review

## October 2020

October 30, 2020

Volume 2, Issue 10

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

### Inside this issue:

<i>Highlights</i>	1
<i>North America</i>	2-4
<i>South America</i>	5-7
<i>Asia / EU</i>	8-9
<i>Oceania</i>	10-11

### Highlights:

- US feedlot inventories continue to run about 3.8% above year ago levels but producers are far more current than they were back in the summer when COVID disruptions caused supplies to back up. Demand remains a major concern for the US beef market at this time, with foodservice operators still facing a sharp decline in traffic.
- China beef exports continue to outperform expectations, in part because foodservice demand has rebounded far more quickly than most expected. China beef imports in September were 19% higher than a year ago and they are currently running 39% above year ago levels.
- Chinese buyers have been able to offset the decline in imports from Australia and New Zealand by accelerating their purchases of South American beef. So far this year 74% of Argentine beef export and 60% of Brazil beef exports have gone to the Chinese market.
- Argentina slaughter in July and August was below year ago levels, which limited exports. September slaughter was up 3.4% above year ago levels, however.
- Australian cattle slaughter in the last two months has been running as much as 30% below year ago levels while cattle prices are now trading at 30% premium to the US and as much as 60% above year ago levels.

### Trade Update for Key Global Players

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

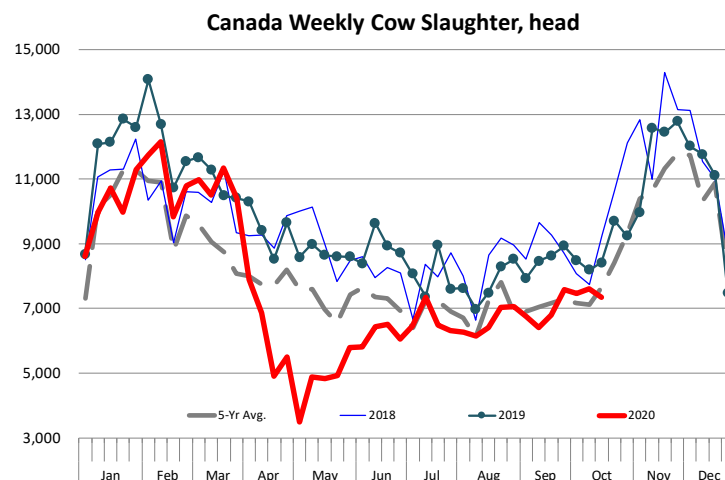
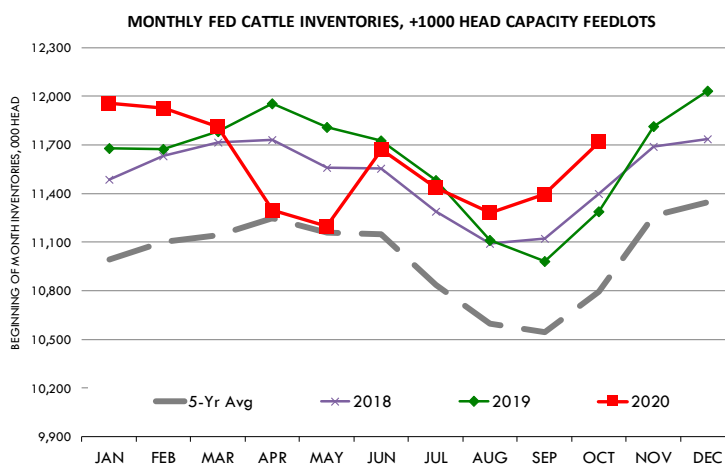
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2019	2020 Estimate	Y/Y Ch.	Y/Y % ch.	
<b>EXPORTS</b>						4,755,890	4,865,190	109,300	2%	
Australia	19%	0%	Sep 2020	72,619	-32,754	-31%	1,228,963	1,118,357	-110,607	-9%
Argentina	2%	0%	May 2020	57,927	11,393	24%	566,272	639,887	73,615	13%
New Zealand	7%	0%	Sep 2020	28,069	896	3%	464,145	459,504	-4,641	-1%
Brazil	18%	1%	Sep 2020	142,351	18,625	15%	1,535,091	1,725,442	190,351	12%
USA	11%		Aug 2020	85,506	2,667	3%	961,419	922,000	-39,418	-4%
<b>IMPORTS</b>						3,900,668	4,514,287	613,619	16%	
USA		20%	Aug 2020	112,065	28,049	33%	976,446	1,064,326	87,880	9%
China	0%	9%	Sep-20	180,651	29,312	19%	1,657,151	2,220,583	563,431	34%
Hong Kong			Aug 2020	32,839	6,120	23%	364,920	346,674	-18,246	-5%
Japan	0%	9%	Aug 2020	47,204	-6,317	-12%	615,381	624,612	9,231	1%
Russia	0%	8%	Jul 2020	16,405	-12,075	-42%	286,770	258,093	-28,677	-10%

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

## North America Market Update

**United States:** On October 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.717 million head, 429,000 head or 3.8% higher than a year ago. Analysts on average were expecting the inventory to be 3.2% higher than a year ago. Positive margins and dry conditions continued to incentivize higher placements in September. The marketing pace improved, however and the total number of cattle marketed was higher due to one extra marketing day. Feedlots are now largely current although good weather in September and early October has helped cattle perform very well. Fed cattle weights have been trending higher and they are now as much as 3% above year ago levels. The inventory of cattle with +150 day on feed on October 1 was 1.988 million head, down 5.4% compared to a year ago and only 80k head higher than the five year average. Back in August the inventory of such cattle was running 40% above year ago levels. The inventory of cattle with 120 days or more on feed was estimated at 3.974 million head, 2.9% lower than last year but 4.2% higher than the five year average. Fed cattle traded lower this week despite the relatively current position, largely due to concerns about a slowdown in demand and weakness in wholesale beef prices.

Feedlots with +1000 head capacity placed 2.227 million head of cattle on feed during September, 124,000 head or 5.9% more than a year ago. Analysts polled ahead of the report on average expected placements to be 2.4% higher than last year. This was the third consecutive month that placements have exceeded estimates, reflecting in part the impact of drought in parts of the country but also an improvement in feedlot margins and the availability of cattle that should have been placed earlier this year. Higher feeder cattle imports from Mexico also added to the feedlot supply. According to USDA weekly data, imports of feeder cattle from Mexico in September were up 27,300 head, 34% higher than a year ago. Placements were higher for all weight categories but the bulk of the increase was for cattle weighing between 700 to 900 pounds. Placements of such cattle were up 82,000 head or 9% from a year ago. We think that will tend to pressure February cattle the most. Winter weather is always a key wild card and that remains a major factor impacting Oct/Feb and Dec/Feb spreads. Dry conditions in parts of Kansas appear to be pushing more cattle into feedlots, with placements for the state up 55,000 head or 12.6% compared to a year ago. Placements in Nebraska



were up 70,000 head or 13.2%. The October report also offered a breakdown of the feedlot inventory by sex. The inventory of steers and steer calves on October 1 was 6.5% higher than a year ago while the inventory of heifers on feed was 0.3% lower than last year. The ratio of heifers to the total inventory was 37.6%. While lower than a year ago (39.2%), it is still on the higher end of the range of the last 15 years. Liquidation may have slowed down, it has not stopped.

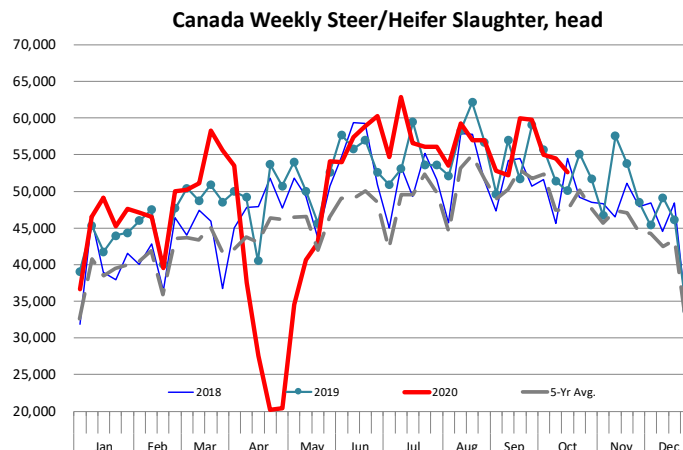
**Canada:** Fed beef and non fed beef production in Canada are currently following divergent paths. Fed cattle slaughter has been running above year ago levels since June. In the four weeks ending October 17, steer/heifer slaughter has averaged 55,468 head/week, 2.6% higher than a year ago and 11.6% above the five year average. On the other hand, cow slaughter during this period averaged 7,504 head per week, 11.8% lower than last year.

## North America (continued)

Feedlot inventories in Canada remain above year ago levels and, in the near term, this will underpin fed cattle slaughter. As of October 1, the inventory of cattle on feed in Alberta and Saskatchewan feedlots was 792,400 head, 9.4% higher than a year ago and 16.7% higher than the five year average. In September feedlots placed a total of 216,086 head on feed, 30% more than the same period a year ago. Total placements in Q3 were 395,254 head, 4% higher than the same period a year ago. Heifer placements for the quarter were 146,521 head, 13% higher than last year while steer placements at 248,733 were down 1%.

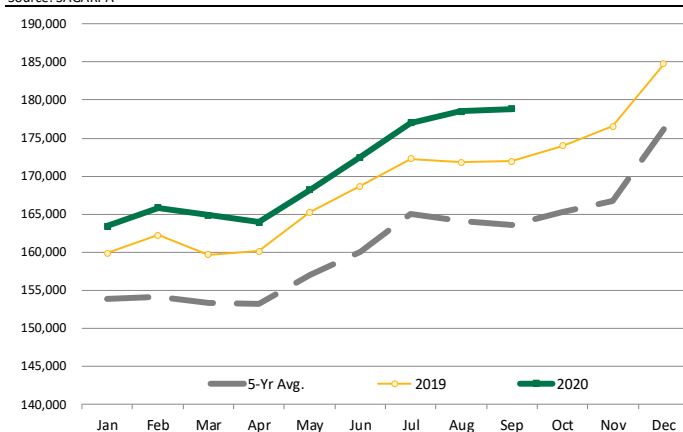
**Mexico:** Beef production in Mexico has been on a growth path for the last few years and that is expected to continue in 2021. The total cattle inventory in Mexico on January 1, 2020 was estimated earlier in the year at 16.9 million head and USDA did not make any changes to that estimate. That was 1.2% higher than the previous year. Despite higher slaughter during 2020, producers have been able to bolster the beef cow herd, resulting in a larger herd, an increase in calf production and thus a larger inventory at the start of next year. USDA is now forecasting the January 1, 2021 Mexican inventory at 17.2 million head, 1.8% higher than the previous year. The calf crop for 2020 is projected at 8.105 million head, 2.6% higher than the previous year. The calf crop for 2021 is forecast at 8.3 million head, 2.4% higher than in 2020.

The increase in inventories and the ever expanding calf crop implies continued growth in Mexican beef production for the remainder of this year and in 2021. USDA revised higher its beef production estimate for 2020, forecasting it to be 2.090 million MT (carcass wt basis). This represents a 3% increase compared to a year ago and slightly higher than the increase in monthly exports we have seen so far this year. Imports now represent an ever smaller share of domestic supply in Mexico as high prices have rationed demand and Mexico now has a larger domestic production base to fill its needs. Beef imports for 2020 are projected at 145 million MT, down 24% compared to a year ago. USDA is currently projecting imports to be flat in 2021 but this may be revised lower as was the case this year. Exports on the other hand continue to fly high. Strong demand in the US market, and the weak Peso, has turbo charged exports this year. Total shipments for 2020 are now projected at 360



### Mexico Beef Production

Source: SAGARPA



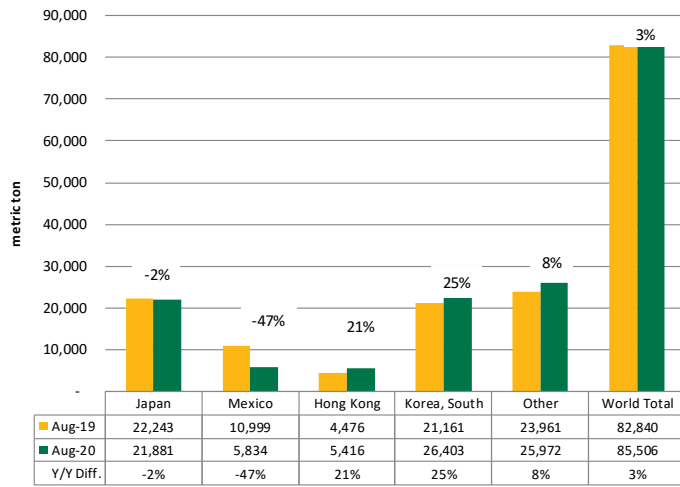
million MT (cwe) , 14.6% higher than a year ago. Exports in 2021 are forecast at 420 million MT, 16.7% higher than the current 2020 projection.

## North America Trade Statistics

### USA Fresh/Frozen Beef Exports

Latest Data for August

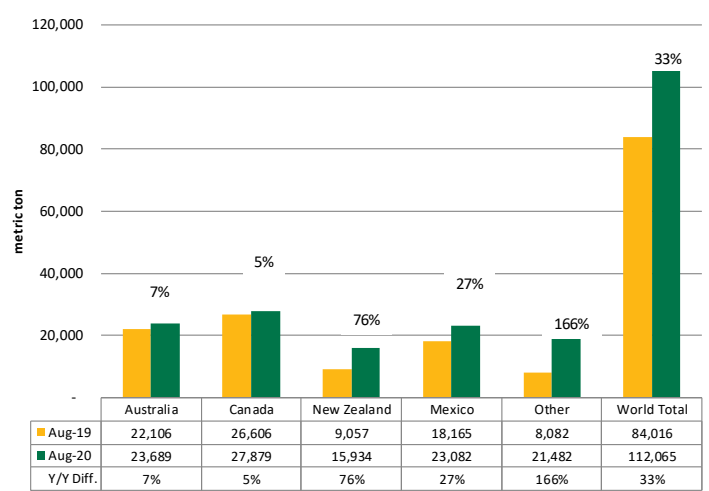
Units: Metric Tons



### USA Fresh/Frozen Beef Imports

Latest Data for August

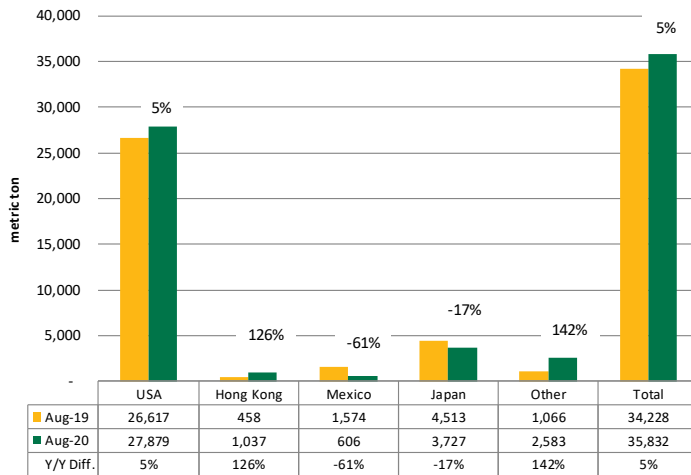
Units: Metric Tons



### Canada Fresh/Frozen Beef Exports

Latest Data for August

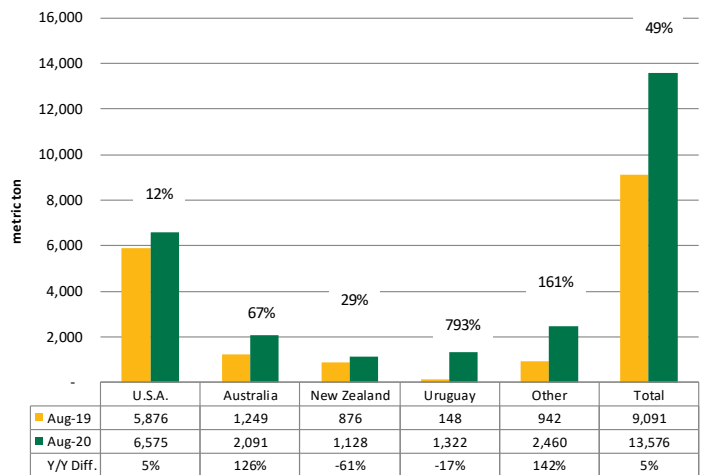
Units: Metric Tons



### Canada Fresh/Frozen Beef Imports

Latest Data for August

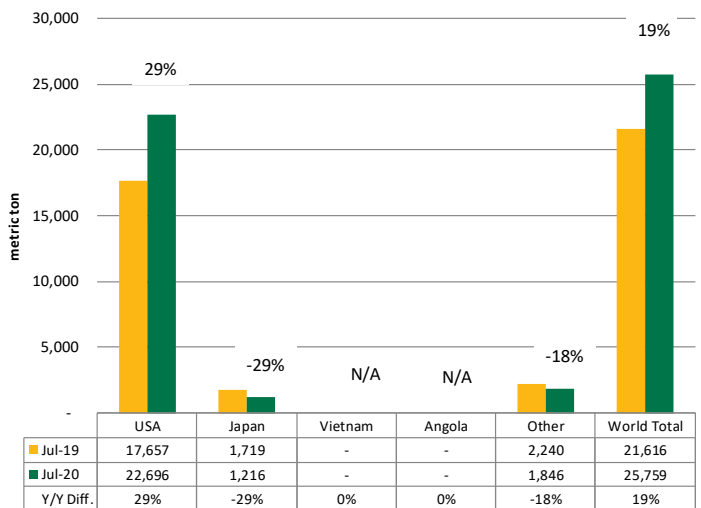
Units: Metric Tons



### Mexico Fresh/Frozen Beef Exports

Latest Data for July

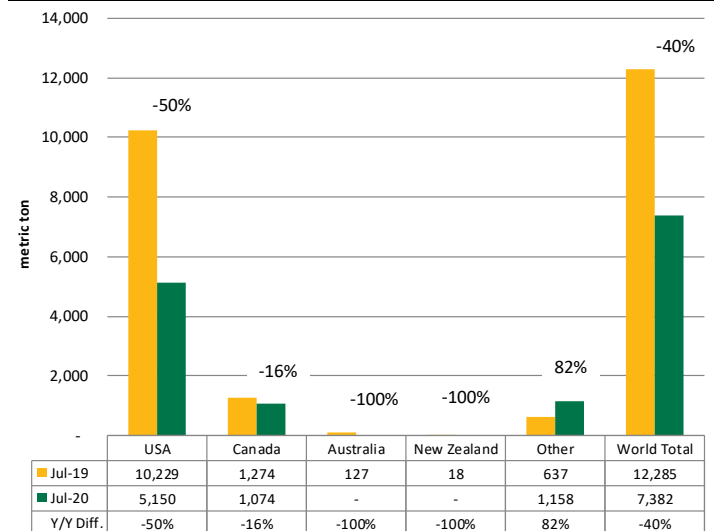
Units: Metric Tons



### Mexico Fresh/Frozen Beef Imports

Latest Data for July

Units: Metric Tons



## South America Market Update

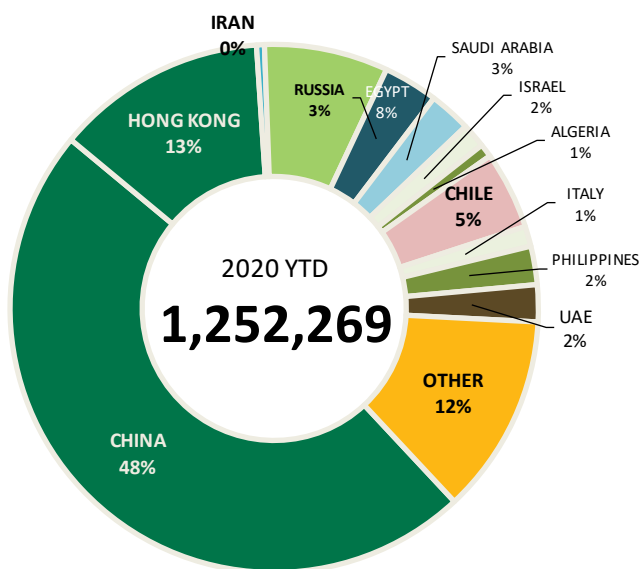
**Brazil:** At the start of the year Brazilian beef exports were expected to increase in the low single digits and COVID impact on demand made that outlook even more likely. That has not been the case, however, and current projections are for Brazilian beef exports to increase by 12-15% this year. Through September total exports were 1.252 billion MT (shipped weight basis), 192k MT or 18% higher than the previous year. The increase was entirely driven by China demand, which now accounts for over 60% of all Brazilian beef exports. Shipments to China through September were 601k MT, 348k or 138% higher than a year ago. Shipments to Hong Kong, which often serves as a backdoor to the Mainland, have been a total of 162k MT, 2% lower than last year. Brazilian beef exports to China have continued to expand even as Chinese officials tightened rules on importing meat products from plants that have a significant number of COVID outbreaks among workers. It was thought this would result in a significant delisting of Brazilian plants. That did not happen. While we briefly saw some disruptions in July and August, the issue has largely disappeared at this time. In September exports of fresh/frozen Brazilian beef to China were 70,741 MT, almost 30k MT or 73% higher than a year ago. In September exports to Mainland China alone were about half of all exports. When we add the 17,200 MT that was shipped to Hong Kong, both markets accounted for about 62% of all beef exports.

Brazil has increased exports to the US market but with China being the focus, we have yet to see the deluge of Brazilian beef in the US that many were expecting. Shipments to the US have slowed down from around 4,300 MT in July to 2,300 MT in September. Through September total shipments to the US were near 13,000 MT, well short of the quota available to MFN countries. Given the current pace, we would assume shipments to the US next year will be somewhere around 30-35k MT.

**Argentina:** As with Brazil, strong China demand is expected to drive a double digit increase in Argentina beef exports in 2020. Shipments of fresh/frozen beef between January and August were a total of 376k MT, 56k MT or 17% higher than a year ago. Exports to China during this period were a total of 278k MT, 41k MT or 18% higher than the previous year. China has accounted for 74% of all Argentina beef exports so far this year although we are discerning a modest shift in trend. August exports

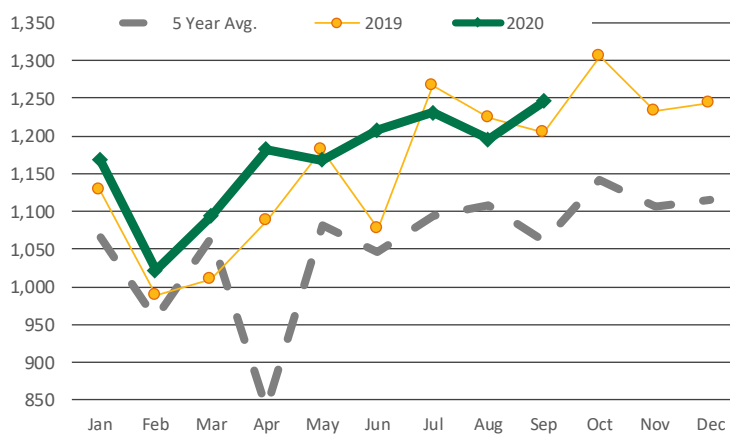
## Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Sep 2020



## Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



were 52k MT, about the same as a year ago. Exports to China in August were 33k MT, down 6k MT or 16% compared to a year ago. August shipments to China accounted for 63% of the total. Argentine producers have been intent in diversifying their markets and they were able to do that in August, with exports to the US reaching 9,859 MT, 72% higher than the previous year. Exports to Russia in August were 2,531 MT, a 200% increase compared to a year ago. The decline in August exports reflected largely the slowdown in slaughter. Total cattle slaughter for the month was 1.196 million head, 2.3% lower than the previous year. This followed a 2.9% decline in July. Slaughter rebounded in September and was estimated at 1.246 mil-



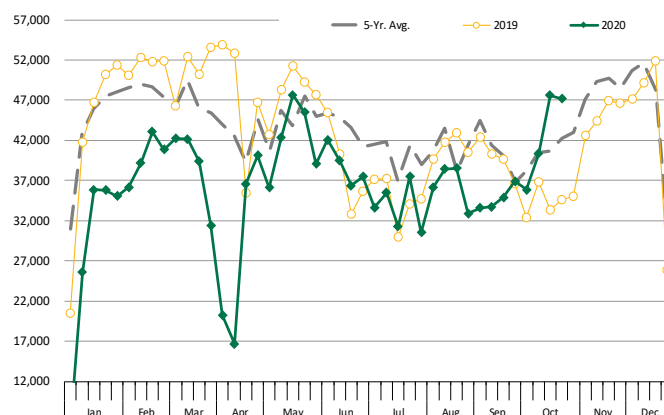
## South America (continued)

lion head, 3.4% higher than a year ago. This was the highest monthly slaughter figure so far this year and seasonally slaughter should remain near annual highs in the next three months.

**Uruguay:** Uruguayan cattle slaughter registers a significant uptick in November and December before plants close for the holidays and normal maintenance during the year-end holiday period. Lower slaughter in Jun-Aug period likely created a backlog of cattle that are now starting to show up. Slaughter in the four weeks ending October 24 averaged 42,730 head/wk, 25% higher than a year ago and 6.4% higher than the five year average. Steer slaughter during this period averaged 19,227 head/wk, 30% above last year while cow slaughter at 17,370 head/wk, 27% higher than a year ago. The increase in slaughter has only materialized in the last three to four weeks and lower slaughter in September limited the amount of beef going to export. Shipments of fresh/frozen beef for the month were 26,438 MT, 12% lower than the previous year. China remains the top market for Uruguayan beef but exports declined 23% in September, largely due to the price difference between product in Uruguay vs. Argentina and Brazil. Exports to the US market have been quite strong so far this year, in part supported by strong demand and higher prices in June, July and August.

**Uruguay Cattle Slaughter, Total**

Weekly Slaughter in Head. Source: World Beef Report

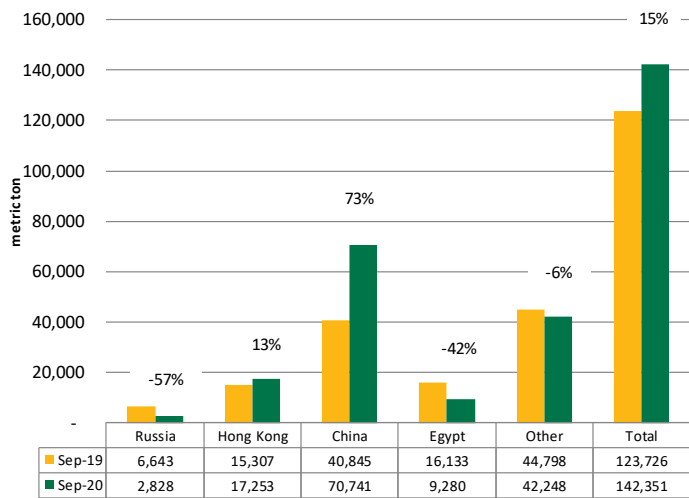


Through September shipments to the US were some 37k MT, 11k MT or 42% higher than a year ago.

## South America Trade Statistics

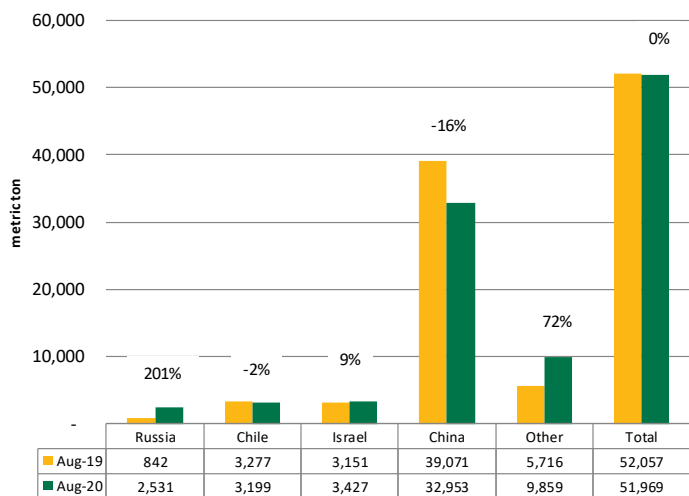
### Brazil Fresh/Frozen Beef Exports

Latest Data for September Units: Metric Tons



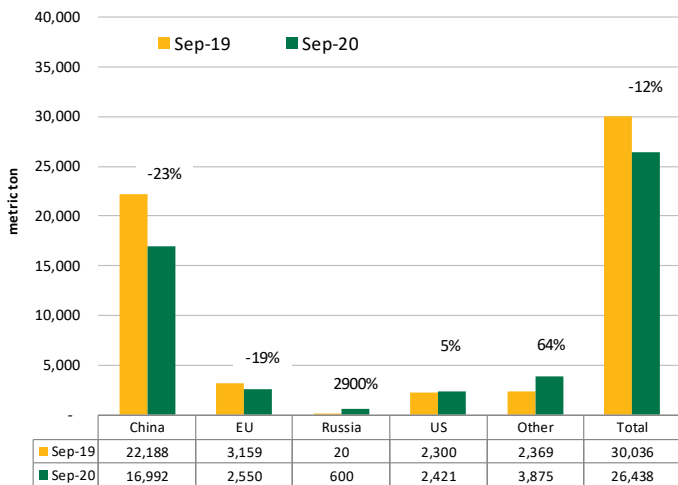
### Brazil Fresh/Frozen Beef Exports

Latest Data for August Units: Metric Tons

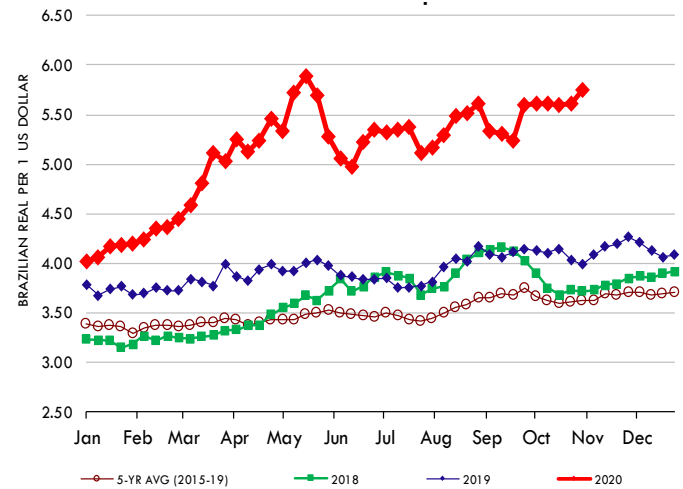


### Uruguayan Fresh/Frozen Beef Exports

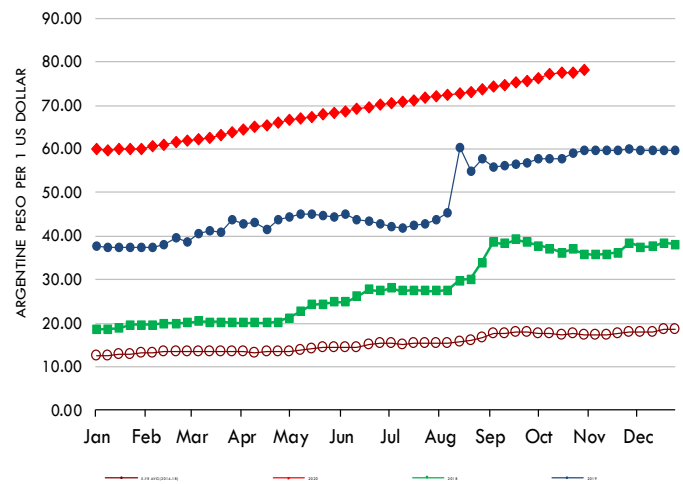
Latest Data is for Sep 2020 Units: Metric Tons



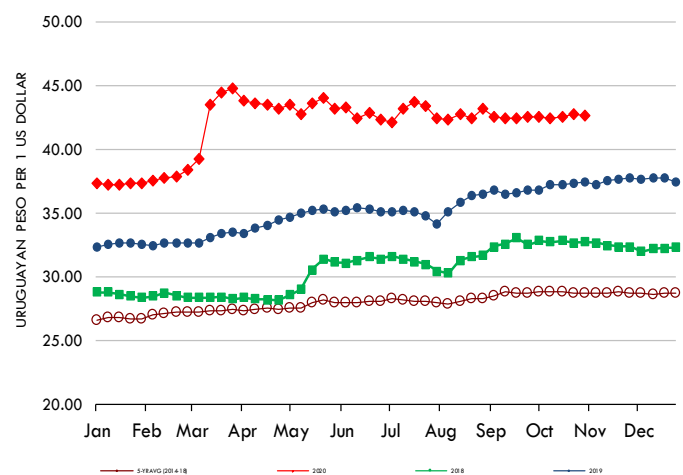
### Brazilian Real Per 1 US Dollar



### Argentine Peso Per 1 US Dollar



### Uruguay Peso Per 1 US Dollar

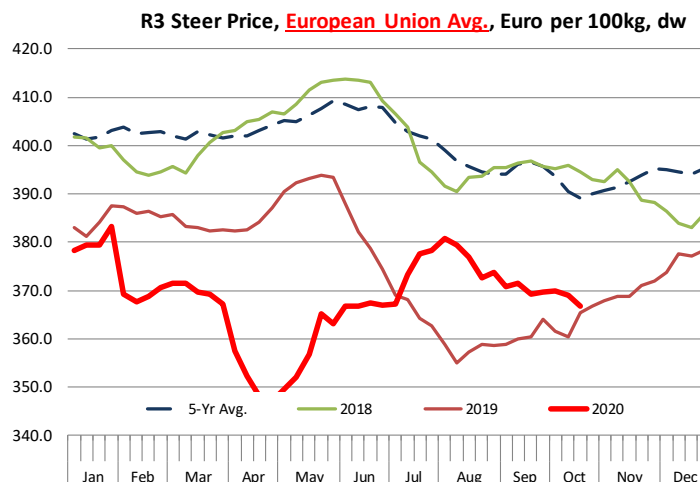


## Asia / EU Market Update

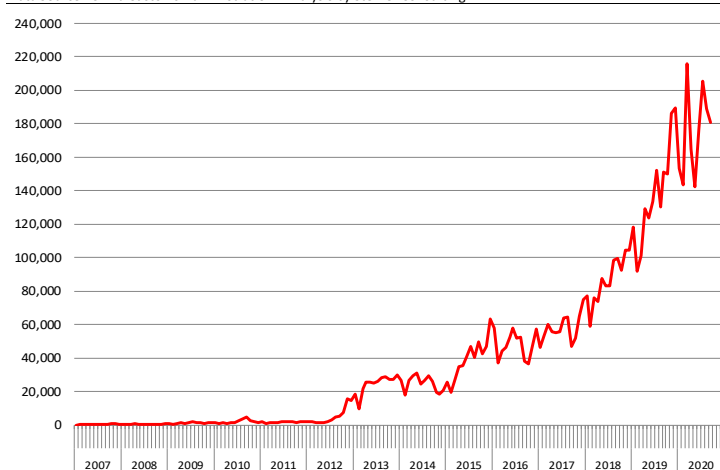
**European Union:** Irish cattle slaughter continues to track close to normal at this time but far higher than the COVID induced lows in April and early May as well as last year's strike shortened kill. Cattle slaughter in the four weeks ending September 27 averaged 34,639 head per week, 71% higher than the strike affected period a year ago but 10% lower vs. two years ago. Cow slaughter during the reference period above averaged 6,791 head per week, 105% 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 16,712 head per week, 78% higher than last year. Seasonally steer slaughter in Ireland increases into the fall. In May and June steer slaughter averaged about 11,500 head per week. Slaughter last October was as high as 17,000 head and expectations are for slaughter to once again trend higher in October and November.

Cattle prices in Ireland and across the EU have shown some improvement recently but there is plenty of uncertainty going forward. There has been a significant spike in corona virus cases as countries lifted restrictions and people started to move around and go on holiday. The spike in cases could result in new lockdown orders, although expectations are that this will be more localized than in March, April and May. Steer prices in Ireland for the week ending September 20 averaged 362 euro per 100kg, up 6% from a year ago. Steer prices in the UK were last quoted at the equivalent of 406 euro per 100 kg, up 10% compared to last year. UK now can once again ship product to the US but given current price and demand in the UK local market, we do not expect significant volumes to come to the US. Still some estimates from the UK note that annual shipments could hit some \$100 million over the next five years.

**China/Japan/S. Korea:** Chinese foodservice demand has recovered in the last three months and this continues to underpin overall demand for imported beef. Different from a year ago, however, most China demand at this time has been concentrated on South America, pulling an ever increasing share of the supply available in Brazil and Argentina. Total Chinese beef imports in September were 180,651 MT, 29,312 MT or 19% higher than the previous year. Imports from Brazil in September were 86,915 MT, 50,621 MT or 139% higher than a year ago. The increase



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



in imports from Brazil more than offset the reduction in imports from Australia (down 19,579 MT), from New Zealand (down 5,046 MT) and from Uruguay (down 5,978 MT). Imports from Argentina in September were 39,837 MT, 4,392 MT or 12% higher than a year ago. China has become more active in the US market as well although the overall supply available remains limited due to lack of hormone free cattle. Beef imports from the US in September were 2,684 MT, 1,639 MT or 72% higher than the previous year. Through September Chinese beef imports have been a total of 1.572 million MT, an increase of 440k MT or 39% compared to the previous year. Imports from Brazil during this period have increased by 368k MT or 156% while imports from Argentina have increased another 101k MT or 40%.

Japanese beef production in August was estimat-

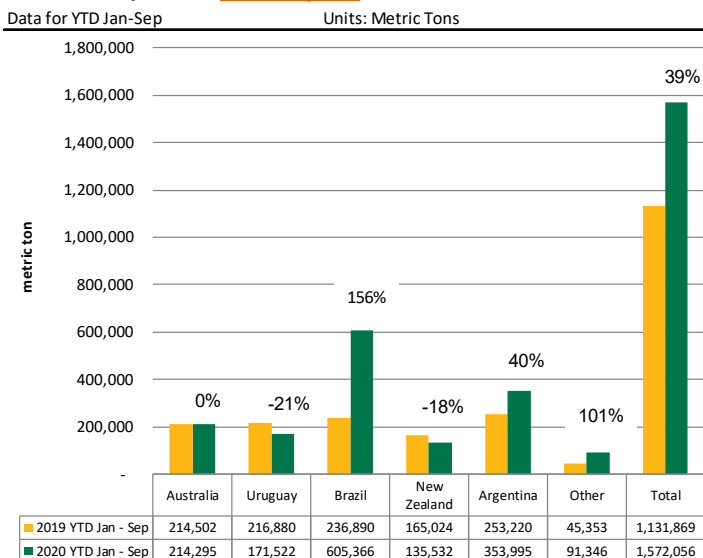


## Asia / EU Trade Statistics

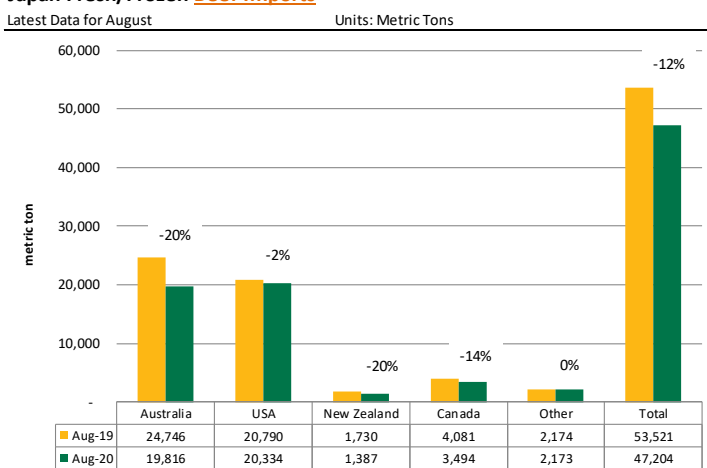
ed at 25,688 MT, 4.4% higher than the previous year. Imports for the month were estimated at 47,207 MT, 11.9% lower than the previous year. Imports of fresh/chilled beef in August were 19,341 MT, 26% lower than the previous year. Frozen beef imports in August were 27,841 MT, 11.9% lower than the previous year. Imports were lower across all markets supplying beef to the Japanese market but the bulk of the decline was due to lower imports from Australia and New Zealand. Imports from Australia declined almost 5,000 MT in August or 20% while imports from the US at 20,334 MT were down just 456 MT or 2%. Japanese beef imports through August were 406,473 MT, about 2,600 MT or 1% lower than a year ago. Imports from Australia during this period were 177,338 MT, down 17,338 MT or 9% while imports from the US were up 7,730 MT or 5% higher.

Boneless cuts represent the largest share of beef imports in Japan and in July fresh/chilled boneless beef imports were down 15.2% compared to the previous year. Imports of fresh/chilled beef chuck, round and clods were estimated at 11,708 MT, down 17% compared to the previous year. Imports of frozen boneless cuts were 29,324 MT, down 16.2% compared to the previous year. Frozen ribs accounted for about half of all frozen imported boneless cuts coming into Japan in July. Those imports were estimated at 14,737 MT, down 8.6% compared to a year ago. US and Australia accounted for the largest share of Japan imports in July. Imports of US beef were estimated at 22,399 MT, 8.8% lower than a year ago while imports of Australian beef at 22,655 MT were 24% lower than last year.

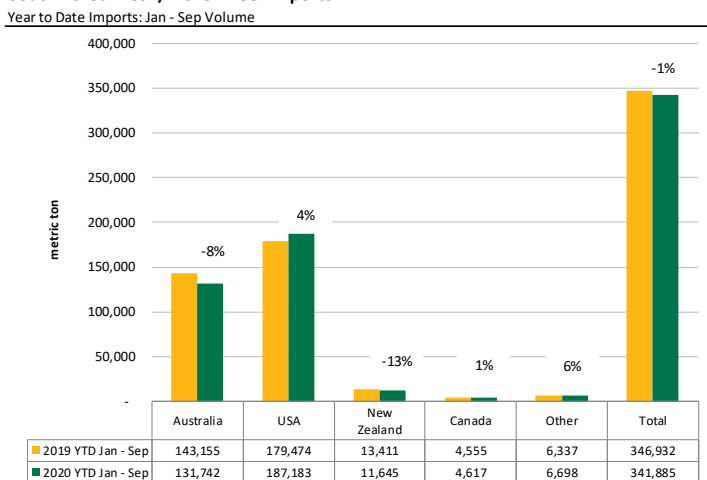
### China Fresh/Frozen Beef Imports



### Japan Fresh/Frozen Beef Imports



### South Korea Fresh/Frozen Beef Imports



## Oceania Update

**New Zealand:** New Zealand slaughter finds a bottom in late August and early September but does not start to ramp up until late November. As the new marketing year gets under way, we have seen few signs of a change in the seasonal trend. If anything, robust dairy prices in the world market have limited the number of cows coming to market. In the four weeks ending September 26, total New Zealand cattle slaughter averaged 27,808 head per week, 1% higher than the previous year. Cow slaughter during this period averaged 8,115 head per week, 6% lower than last year while bull slaughter at 2,520 head per week was 7% lower than the previous year.

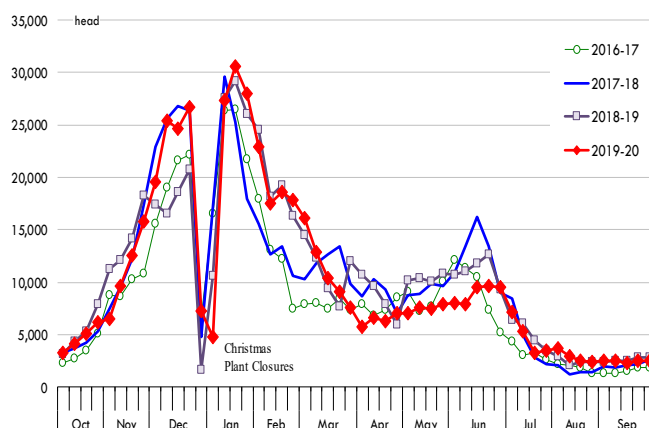
With slaughter hovering near year ago levels in September, beef exports were also close to what we saw last year. Shipments of New Zealand fresh/frozen beef last month were estimated at 28,069 MT, 3% higher than the previous year. The flow of exports has changed significantly compared to a year ago, however. Exports to the US market were 7,881 MT, 4,140 MT or 111% higher than a year ago. On the other hand, exports to China were 11,669 MT, down 4,292 MT or 27%. At this time the price difference (due to currency but also robust demand in North America) continues to keep Chinese buyers sourcing product in South America. We do not expect this dynamic to change at least through the end of the year due to the continued lack of supply in Australia and demand in the US from those users that cannot use Central or South American beef.

**Australia:** Australian cattle slaughter continues to be limited by the fact that overall inventories are the smallest they have been in more than a decade and excellent moisture conditions so far this spring. The decline in weekly slaughter is similar to what we saw during 2015 and 2016 but from a lower point then at that time. In the four weeks ending October 23 cattle slaughter in Australia averaged 102,504 head/week, 30.5% lower than a year ago. Slaughter is down across all regions. Queensland remains the top producing state, with slaughter during the reference period averaging 52,789 head/week, 30.6% lower than last year. Slaughter in Victoria during this period averaged 16,015 head/week, 43% lower than a year ago.

Australian cattle prices are dramatically higher than a year ago and current values are now also well above the US, in US dollar terms. US fed cattle prices (live basis) are currently trading at around \$1.05 per

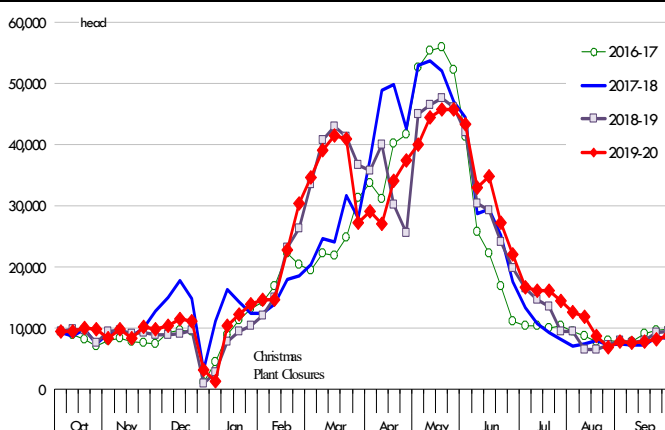
### New Zealand Weekly Bull Slaughter

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



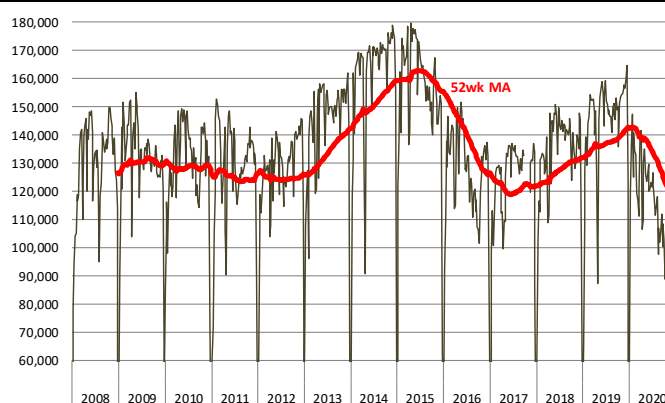
### New Zealand Weekly Cow Slaughter

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



### Australia Weekly Cattle Slaughter: Source MLA

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



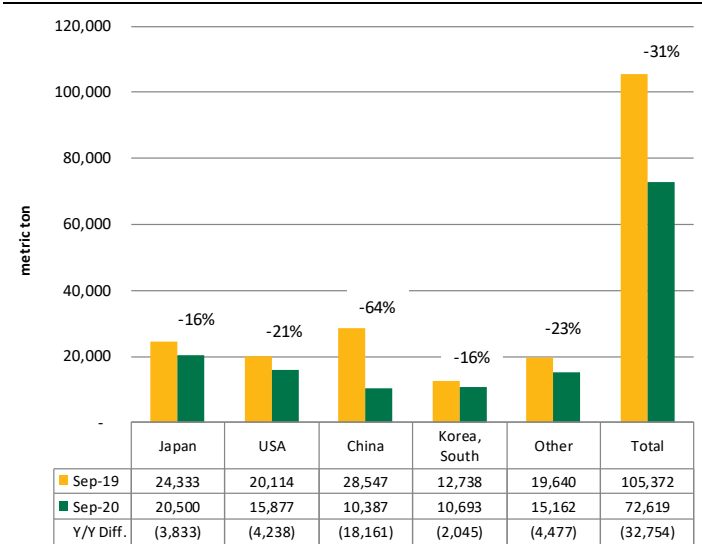
pound, 6% lower than a year ago. According to MLA cattle price data, the average price of Australian Trade Steer weighing between 330-400 kg is currently around

## Oceania Statistics

US\$ 3.03 per kilogram or US\$ 1.37 per pound, 58% higher than a year ago and representing a 30% premium to US fed cattle values. The average price of Australian heavy steers is currently hovering at around US\$ 1.21 per pound, 24% higher than last year and also at a notable premium to US fed cattle values. Competition for young animals is especially strong at this time as producers look to retain more females in order to expand the herd. The EYCI index, which represents young animal values, currently is hovering at near 8.20 AUD per kg compared to 5.14 a year ago. US grinding beef values, and especially the value of Australian cuts, will need to move up in order to reflect higher cattle prices. Alternatively, less Australian beef will come to the US. US domestic round beef prices are usually higher in late December and January as retailers feature them more prominently. Seasonal demand and limited availability from Australia should underpin imported insides, flats and knuckles in Jan/Feb.

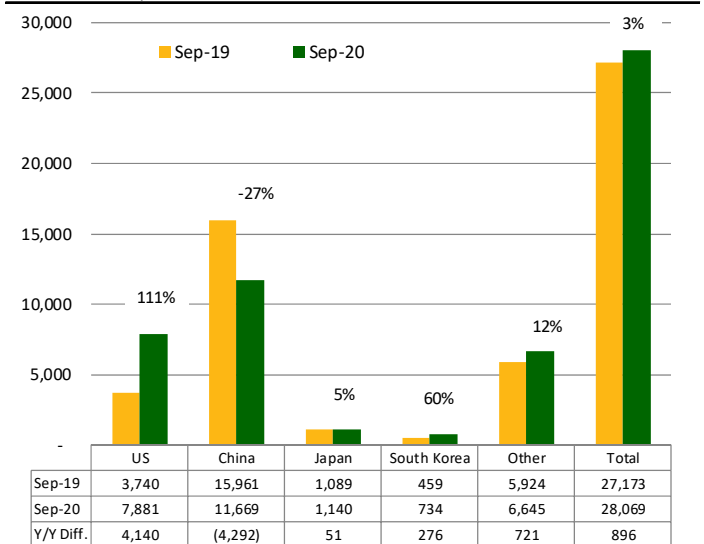
### Australia Fresh/Frozen Beef Exports

Latest Data for September Units: Metric Tons



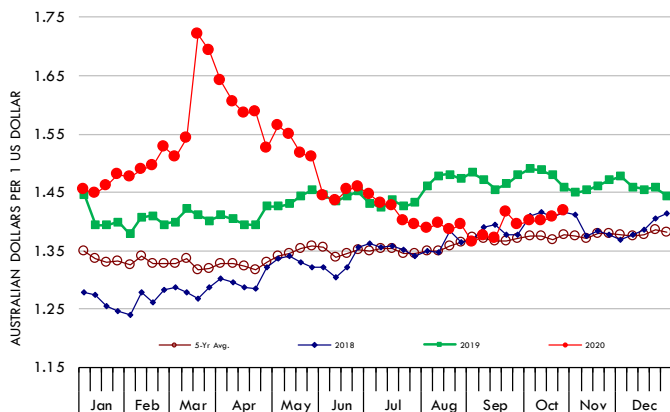
### New Zealand Fresh/Frozen Beef Exports

Latest Data for September-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

