MEAT & LIVESTOCK AUSTRALIA

Global Beef Market Monthly Review

November 2020

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Highlights:

- China beef imports slowed down in October but overall imports were still 13% higher than a year ago, with increases in imports from Brazil and Argentina offsetting the decline in imports from Australia, New Zealand and Uruguay.
- Brazil exports continue to concentrate on China. Brazilian beef exports in October were down 5% compared to last year but exports to China were up 20% while all other markets were down in double digits.
- US wholesale beef prices surged higher in November thanks to strong demand for holiday items, such as rib roasts. US cattle on feed numbers remain above last year but feedlots have become increasingly current as packers manage to sustain slaughter pace despite rising COVID cases.
- New Zealand slaughter should be seasonally higher into year-end, with bull slaughter in late October and early November up by as much as 25% compared to a year ago.
- Japanese beef production in October was 1,200 MT or 4.2% higher than a year ago while beef imports declined 4,427 MT or 8%. Lower imports from Australia contributed to the decline.

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							4,746,080	4,822,033	75,953	2%
Australia	19%	0%	Oct 2020	81,314	-32,405	-28%	1,228,963	1,081,488	-147,476	-12%
Argentina	2%	0%	Sep 2020	57,681	4,137	8%	556,462	639,931	83,469	15%
New Zealand	7%	0%	Oct 2020	24,551	-1,125	-4%	464,145	461,825	-2,321	0%
Brazil	18%	1%	Oct 2020	162,685	-7,812	-5%	1,535,091	1,725,442	190,351	12%
USA	11%		Sep 2020	75,381	-5,546	-7%	961,419	913,348	-48,071	-5%
IMPORTS							3,900,668	4,531,815	631,147	16%
USA		20%	Sep 2020	94,652	19,669	26%	976,446	1,074,090	97,645	10%
China	0%	9%	Oct-20	168,854	18,794	13%	1,657,151	2,220,583	563,431	34%
Hong Kong			Oct 2020	36,831	6,919	23%	364,920	366,744	1,825	0%
Japan	0%	9%	Sep 2020	44,263	-6,262	-12%	615,381	612,304	-3,077	-1%
Russia	0%	8%	Sep 2020	21,134	-2,493	-11%	286,770	258,093	-28,677	-10%

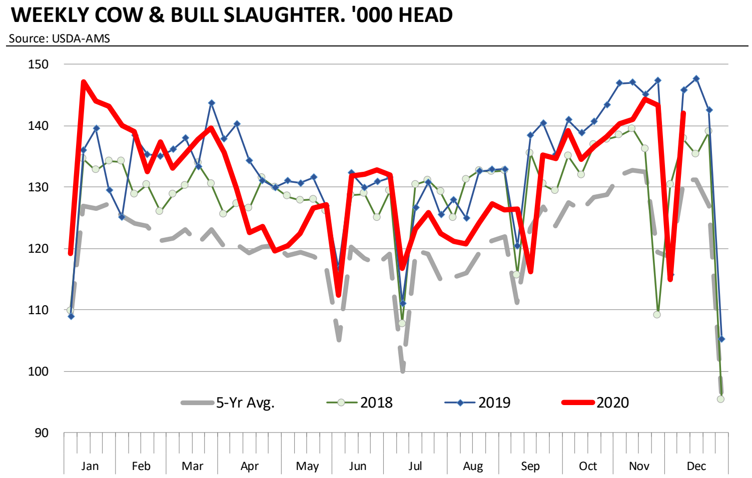
*** Product wt. basis. Projections for 2019 made by Steiner Consulting.

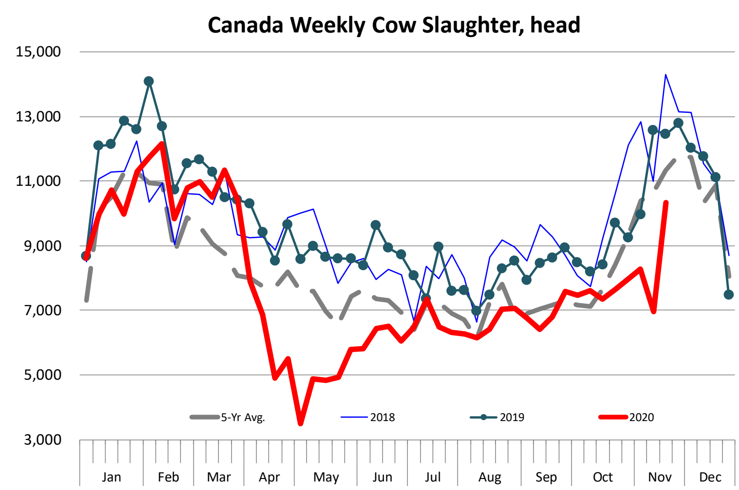
North America Market Update

United States: Despite rising COVID cases in the US, including counties where US cattle and hog processing plants are located, US cattle slaughter continues to run near year ago levels. We estimate that last week fed cattle slaughter was 536,000 head, 11,000 head or 2.1% lower than a year ago. In the last four weeks, however, slaughter has been a total of 2.014 million head, 0.2% higher than last year. Non-fed cattle slaughter last week was estimated at 146,000 head, 2.7% lower than a year ago. In the last four weeks, non fed slaughter has been a total of 554,000 head, 1.7% lower than last year.

Official October import statistics for the US were released last week, showing a sharp deceleration of import volumes from summer highs. Overall imports of fresh/frozen and cooked beef in October were 84,639 MT, 2,401 MT or 2.9% higher than a year ago but down 42,534 MT or 33.5% from the annual high in July. US beef imports from Australia in October were down 6,323 MT or 32% compared to a year ago but much of that decline was offset by higher imports from Brazil. October Brazilian imports were 8,615 MT, up 5,123 MT or 147% higher than a year ago. Please note that the figures also include processed beef but we think much of the y/y increase is fresh/frozen product. Imports from New Zealand have improved compared to a year ago as Chinese buyers appear to be focusing more on South American product, probably due to the price and exchange rate benefits. Imports from New Zealand in October were 7,665 MT, up 3,553 MT or 86% compared to a year ago. We also continue to see more imports from some smaller markets. Imports from Ireland, for instance, were 796 MT in October, a 242% increase compared to a year ago.

On November 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.973 million head, 157,000 head or 1.3% above year ago. Despite the decline in placements, feedlots still placed more cattle on feed in October than were marketed, which is why November 1 inventories were higher than the previous month. This is a normal seasonal effect as calves are weaned and moved off pastures. What is more important, however, is the fact that feedlots have become increasingly current, which normally would help their bargaining power. But that assumes a normal trading relationship and this year is anything but normal. Cattle futures have sold aggressively in the last couple of sessions despite a big jump in wholesale beef prices. As





was the case last spring, the market is now being driven by fear: the fear of plants running below capacity or shutting down altogether; fear of restaurant closures killing demand for high quality beef this winter; fear that another weave of layoffs impacting people's ability to afford high quality protein.

Canada: After a brief disruption due to COVID outbreaks, Canadian slaughter has returned to normal and has been running near year ago levels for much of the summer and fall. Total slaughter in the four weeks ending November 21 averaged 64,126 head/week, 0.3% higher than the same period a year ago and 11% higher than the five year average. Fed cattle slaughter during this period averaged 55,370 head/week, 5.5% higher than last year and 17.9% higher than the five year average. Robust retail demand and higher domestic feedlot inventories have supported the increase in domestic fed cattle slaughter. Cow slaugh-

North America (continued)

ter, on the other hand, continues to run under last year's levels. During the last four reported weeks, cow slaughter averaged 8,386 head/week, 24% lower than the same period a year ago. This is not just a short term issue. Between January and November 21, cow slaughter has been a total of 362,858 head, 20% lower than a year ago.

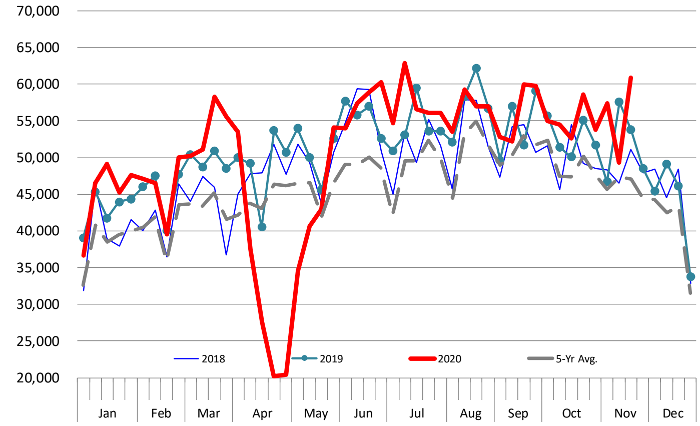
The lack of domestic lean cow meat and limited supply availability in the US has increased demand for imported lean beef. Imports from Australia through November 28 were still down as much as 11% from a year ago although they have increased compared to earlier this year. Imports from New Zealand, however, at 16,624 MT are up 43% compared to a year ago and imports from Uruguay at 13,084 MT were up 78%. In addition Canada is now importing from a number of other countries as well. September data showed combined imports of frozen boneless beef from Italy, Spain, Denmark, UK and Ireland were a total of 1,186 MT, 23.4% of total imports of frozen boneless beef.

Mexico: Pace of beef production in Mexico accelerated in August and September but it appears to have slowed down in recent weeks. US packers are noting higher demand for US beef imports from Mexico as Mexican buyers face tighter supplies of domestic product. Mexican exports of feeder cattle to the US have been up by double digits for much of the year and this has limited the supply of finished cattle in Mexico. Beef production in Mexico in October was 178,078 MT, slightly below August and September but 2.4% higher than a year ago. By comparison beef production in the previous two months increased by almost 4% compared to year ago levels.

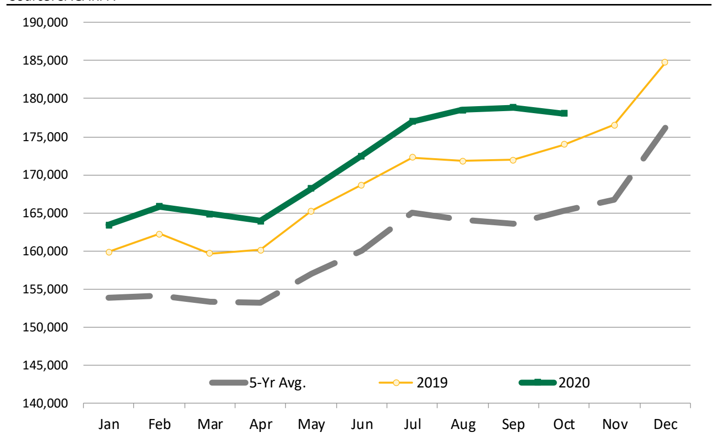
The stronger Mexican peso and strong demand in the domestic market has reduced the amount of Mexican beef coming to the US. In September US imports of Mexican fresh/frozen beef were 20,445 MT, 17.2% higher than the previous year but the lowest import volume since April. US imports of Mexican beef during May, June and July were up as much as 45% compared to a year ago.

US imports from other Central American countries were steady to lower in September following a sharp increase in imports during the summer months. Imports from Nicaragua in September were 4,892 MT, down 6.4% compared to a year ago. Imports from Costa Rica at 766 MT were up 4.7% following a 46% y/y increase in August.

Canada Weekly Steer/Heifer Slaughter, head



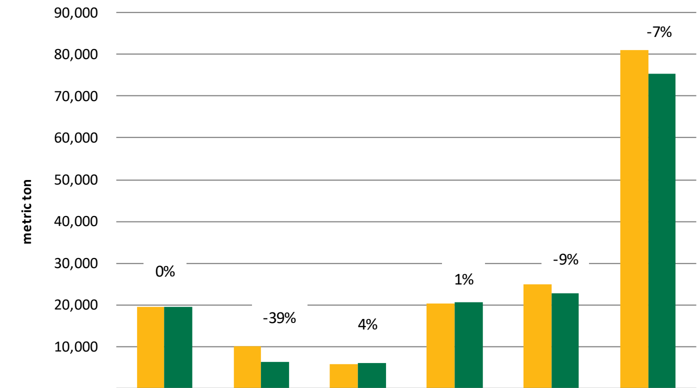
Mexico Beef Production
Source: SAGARPA



North America Trade Statistics

USA Fresh/Frozen Beef Exports

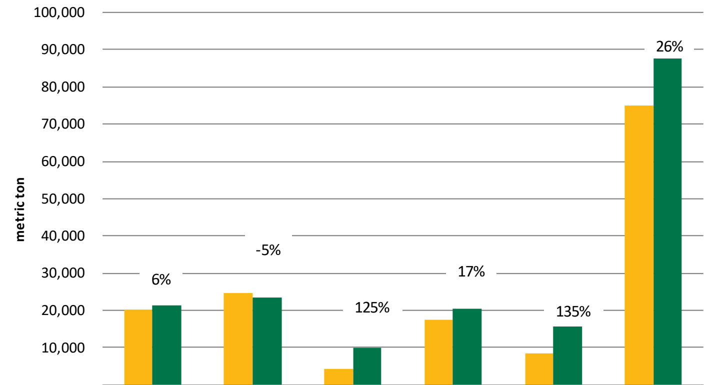
Latest Data for September Units: Metric Tons



	Japan	Mexico	Hong Kong	Korea, South	Other	World Total
Sep-19	19,566	10,216	5,822	20,313	25,010	80,927
Sep-20	19,653	6,213	6,082	20,592	22,841	75,381
Y/Y Diff.	0%	-39%	4%	1%	-9%	-7%

USA Fresh/Frozen Beef Imports

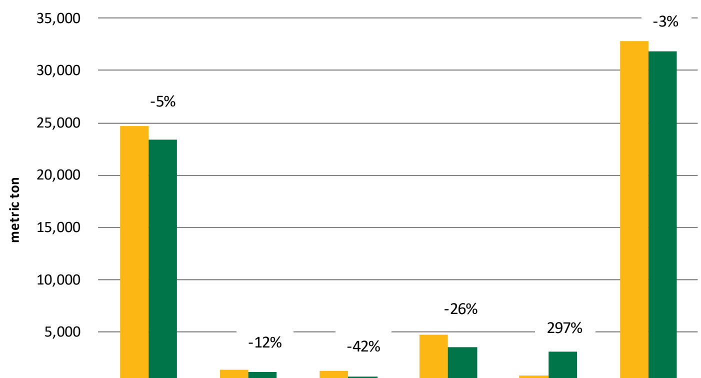
Latest Data for September Units: Metric Tons



	Australia	Canada	New Zealand	Mexico	Other	World Total
Sep-19	20,073	24,696	4,387	17,441	8,385	74,983
Sep-20	21,333	23,357	9,850	20,409	19,704	94,652
Y/Y Diff.	6%	-5%	125%	17%	135%	26%

Canada Fresh/Frozen Beef Exports

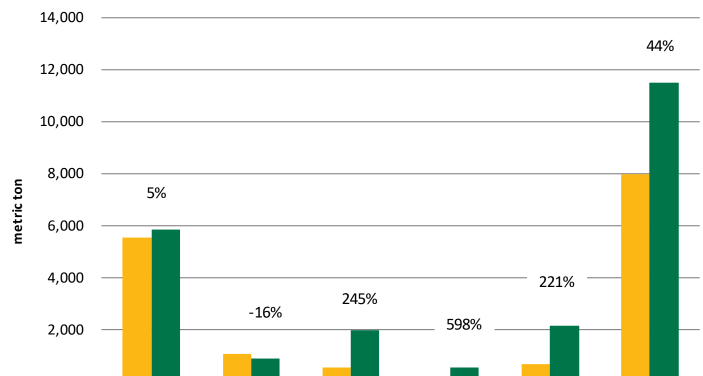
Latest Data for September Units: Metric Tons



	USA	Hong Kong	Mexico	Japan	Other	Total
Sep-19	24,695	1,369	1,267	4,724	780	32,835
Sep-20	23,356	1,198	733	3,482	3,094	31,863
Y/Y Diff.	-5%	-12%	-42%	-26%	297%	-3%

Canada Fresh/Frozen Beef Imports

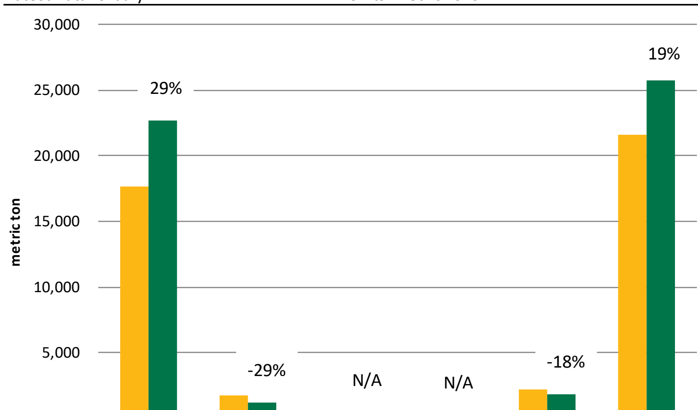
Latest Data for September Units: Metric Tons



	U.S.A.	Australia	New Zealand	Uruguay	Other	Total
Sep-19	5,550	1,097	573	82	676	7,978
Sep-20	5,828	924	1,974	572	2,171	11,469
Y/Y Diff.	-5%	-12%	-42%	-26%	297%	-3%

Mexico Fresh/Frozen Beef Exports

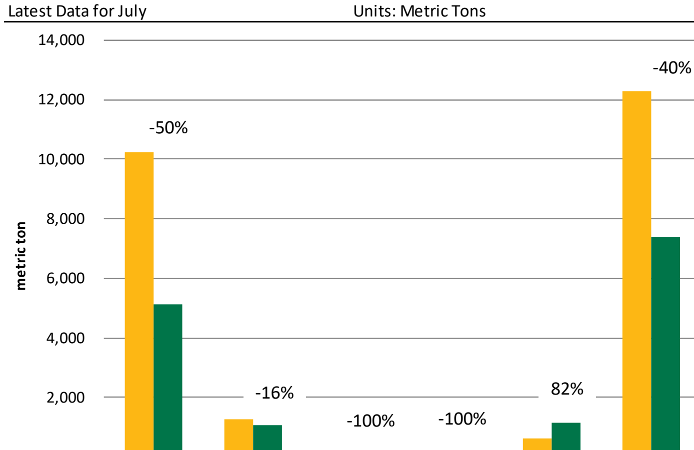
Latest Data for July Units: Metric Tons



	USA	Japan	Vietnam	Angola	Other	World Total
Jul-19	17,657	1,719	-	-	2,240	21,616
Jul-20	22,696	1,216	-	-	1,846	25,759
Y/Y Diff.	29%	-29%	0%	0%	-18%	19%

Mexico Fresh/Frozen Beef Imports

Latest Data for July Units: Metric Tons



	USA	Canada	Australia	New Zealand	Other	World Total
Jul-19	10,229	1,274	127	18	637	12,285
Jul-20	5,150	1,074	-	-	1,158	7,382
Y/Y Diff.	-50%	-16%	-100%	-100%	82%	-40%

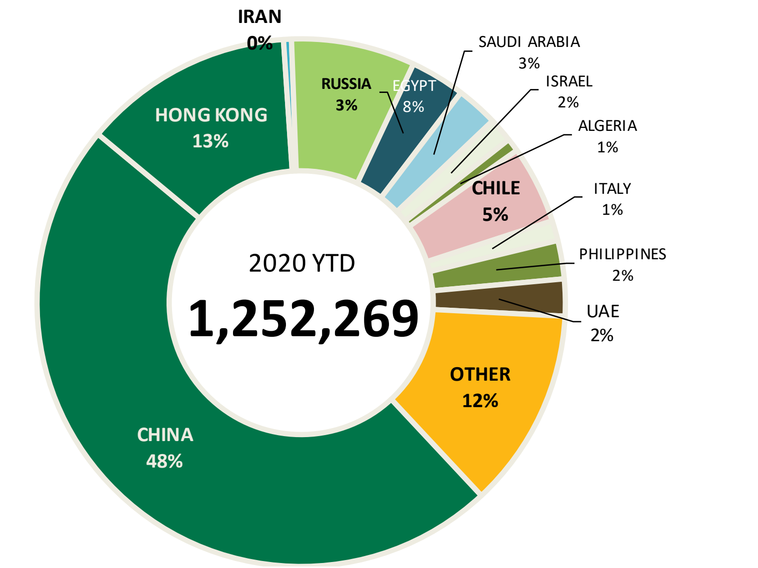
South America Market Update

Brazil: Brazilian beef exports in October posted a modest decline from a year ago. Totals shipments of fresh/frozen beef were 162,685 MT, 5% less than a year ago. However, October 2019 exports were by far the highest monthly exports on record and current pace of shipments remains well above the 12-month average of 143,275 MT. Exports to most markets were lower in October with the exception of China, which remains the top market for Brazilian beef and continues to expand its market share. Beef exports to China in October were 84,568 MT, 20% higher than a year ago and accounting for 52% of all Brazilian exports of fresh/frozen beef. Exports to Hong Kong in October were 15,744 MT, down 31% from a year ago. Combined Brazilian beef exports to China/Hong Kong represented 62% of all beef exports. Chinese buyers have shifted a larger share of their purchases towards South America as they look to limit the amount of product they source in Oceania. Exports have continued to expand even as some Brazilian plants suspended exports due to COVID cases. Recently a BRF plant was cleared to start shipping again.

Brazilian packers continue to benefit from the weak currency to make inroads in the global beef market. While the Brazilian Real has improved modestly vs. the US dollar, it still is down 27% from a year ago. Cattle prices in Brazil are dramatically higher than a year ago, in part due to strong China demand but also because of the currency devaluation. In late November, fed cattle prices in Brazil were 22% higher than a year ago in Brazilian Real terms but down 3% in US dollars.

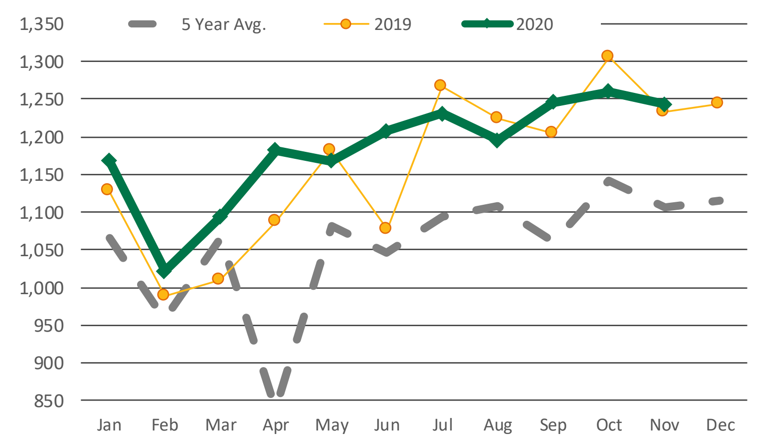
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Sep 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



Argentina: Argentine beef exports continue to be largely driven by strong Chinese demand. In September total Argentine shipments of fresh/frozen beef were 57,681 MT, 8% higher than the previous year. Exports to China accounted for 74% of all shipments at 42,214 MT, 2% higher than a year ago. Exports to some other markets showed some improvement in September as well. Exports to Chile were 3,212 MT, 74% higher than a year ago. Through September, exports to Chile are about the same as a year ago. Exports to China so far this year at 320,892 MT are up 15% compared to the same period a year ago.

Beef production in Argentina in September was estimated at 288,076 MT (carcass wt. basis), 4.5% higher than a year ago. Year to date production was 2.382 million MT (cwe) is 4.3% higher than last year. Total Argentine beef exports for the year, however, are 16% higher than year ago and imply that almost all the increase in production so far has gone into export channels. Per capita beef consumption in Argentina has declined sharply in the last decade. According to SENASA, per capita beef consumption in 2013 was estimated at almost 62 kg per person. Last year it was 51 kg per person and so far this year it is hovering around the same level as well.

Uruguay: Uruguayan cattle slaughter seasonally picks up in Q4 and that has been the case again this year. Lower slaughter in the first seven months of the year has resulted in increased availability at this time of year. Dry condi-

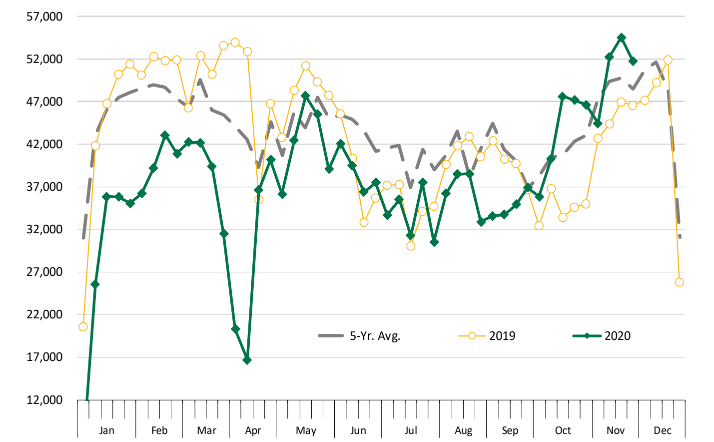
South America (continued)

tions have further exacerbated the situation. As a result, weekly cattle slaughter for the four weeks ending November 28 averaged 50,718 head/week, 12.4% higher than a year ago and 5.3% higher than the five year average. In October slaughter was on average 30% above year ago levels. The increase has been largely driven by more young animals coming to market and producers remain reluctant to liquidate breeding stock despite some drought pressures. Steer slaughter during the four week reference period averaged 25,765 head/week, 30% higher than a year ago and 12% higher than the five year average. Cow slaughter averaged 17,296 head/week, 6% higher than last year but 23% lower than the five year average.

The increase in slaughter bolstered the supply of beef going to export, with October shipments pegged at 30,474 MT, 16% higher than a year ago. China remains the top market for Uruguayan beef, with shipments in October at 21,725 MT, 9% higher than a year ago and accounting for a 71% share. Exports to the US in October were 2,442 MT, 13% lower than a year ago. Through October shipments to the US were 38,995 MT, well above the 20k MT quota.

Uruguay Cattle Slaughter, Total

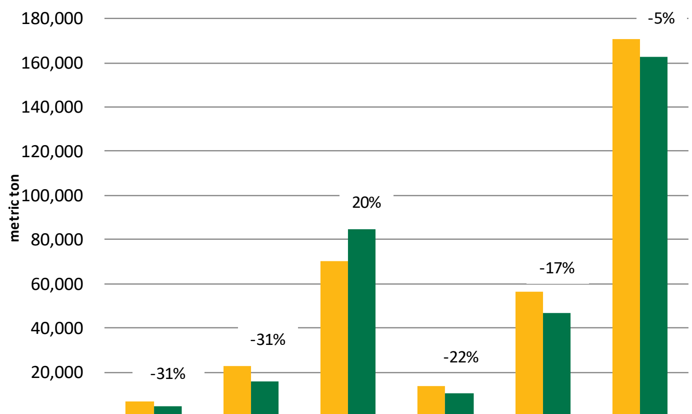
Weekly Slaughter in Head. Source: World Beef Report



South America Trade Statistics

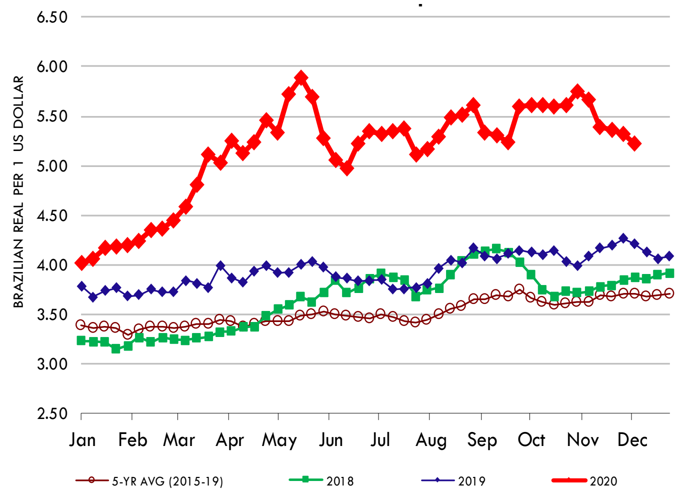
Brazil Fresh/Frozen Beef Exports

Latest Data for October — Units: Metric Tons



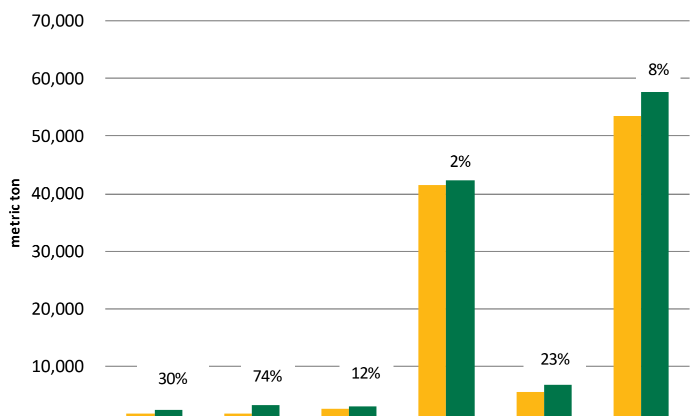
	Russia	Hong Kong	China	Egypt	Other	Total
Oct-19	6,743	22,904	70,583	13,856	56,411	170,497
Oct-20	4,624	15,744	84,568	10,741	47,008	162,685

Brazilian Real Per 1 US Dollar



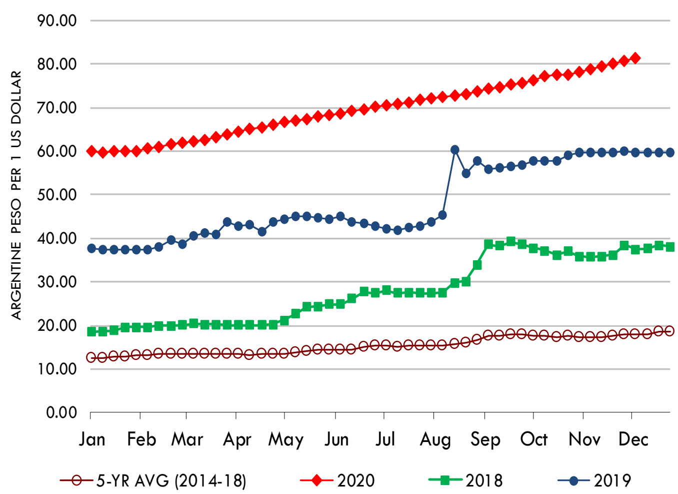
Argentina Fresh/Frozen Beef Exports

Latest Data for September — Units: Metric Tons



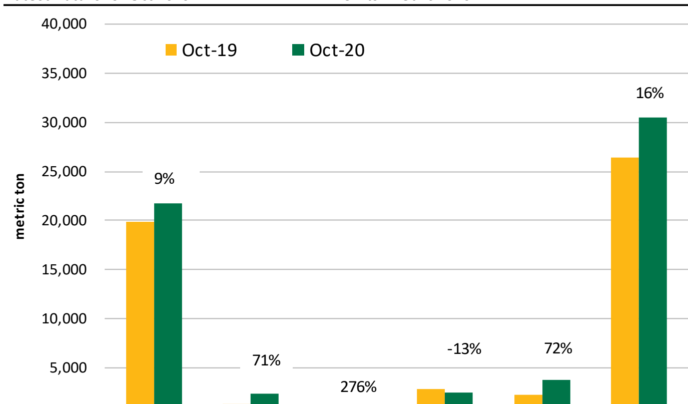
	Russia	Chile	Israel	China	Other	Total
Sep-19	1,823	1,846	2,704	41,566	5,606	53,544
Sep-20	2,369	3,212	3,015	42,214	6,870	57,681

Argentine Peso Per 1 US Dollar



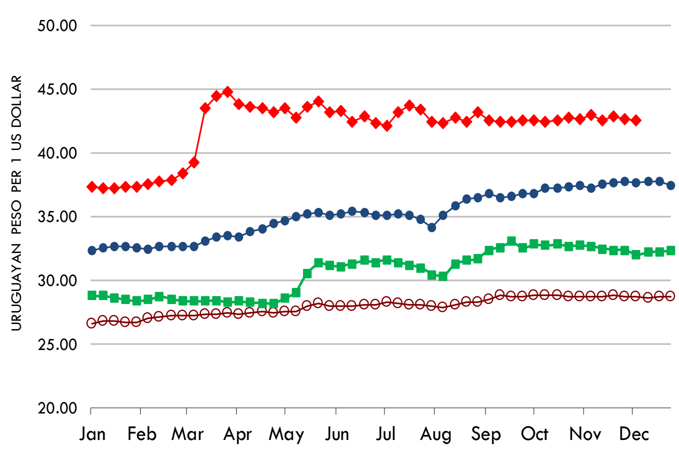
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Oct 2020 — Units: Metric Tons



	China	EU	Russia	US	Other	Total
Oct-19	19,926	1,367	50	2,812	2,202	26,357
Oct-20	21,725	2,337	188	2,442	3,782	30,474

Uruguay Peso Per 1 US Dollar

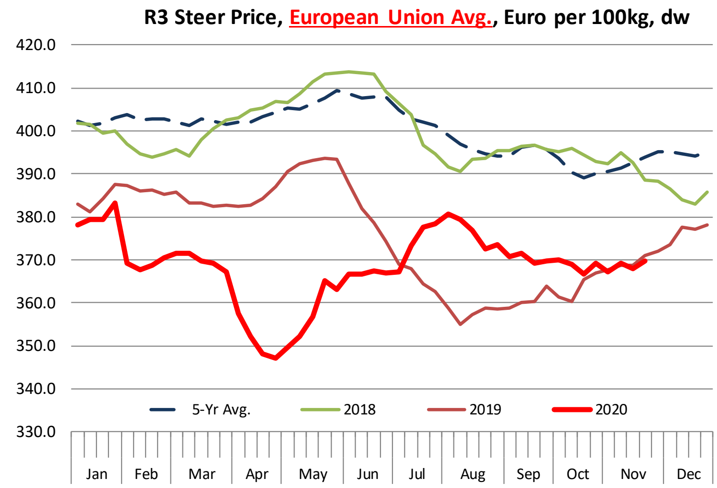


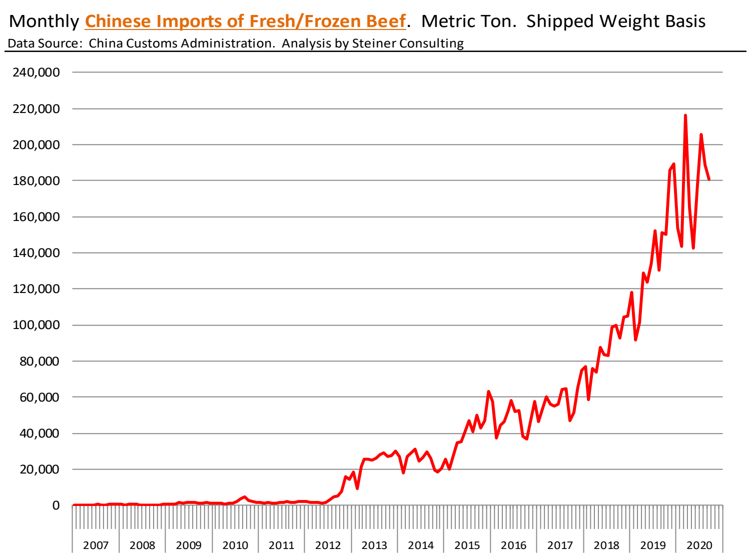
Asia / EU Market Update

European Union: Cattle slaughter in Ireland is now at levels that are more comparable to a year ago. Expectations are for slaughter to follow last year's levels through year end despite all the noise and uncertainty surrounding the lack of an agreement between UK and EU. Cattle slaughter in the four weeks ending November 1 averaged 36,156 head per week, 2.4% smaller than the same four week period a year ago. The decline is entirely due to fewer young bulls coming to market, which has been the case for much of this year. Young bull slaughter during this period average 1,532 head/week, down 43% compared to the same period a year ago. On the other hand, steer slaughter averaged 13,982 head/wk, 0.5% higher than last year; heifer slaughter averaged 9,849 head/wk, 7.25% higher and cow slaughter at 7,670 head/week was 4.2% higher than a year ago.

Ireland has increased the amount of beef that it ships to North America. Irish beef exports to the US market in September were 856 MT while exports to Canada for the month were 286 MT. In August exports to the US and Canada were 561 MT and 168 MT, respectively. Great Britain remains the top market for Irish beef and this is unlikely to change after the Brexit issue finds some finality. Irish exports of fresh/frozen beef to Great Britain in September were 17,371 MT, representing 45% of all beef exports in September. Exports to Northern Ireland were 2,698 MT. A number of key markets in the EU round out the top markets for Irish beef. Shipments to the Netherlands were 3,234 MT, making it the second largest destination, after GB. However, this could be because Rotterdam is the biggest port in Europe and product then gets distributed to other markets from there. Direct exports to France were 2,791 MT and exports to Italy were 2,427 MT. The largest market outside of the EU in September was the Philippines, with total shipments at 1,471 MT. China is currently the biggest beef buyer in the world but Irish beef shipments to that market in August were 47MT and in September only 78 MT.

China/Japan/S. Korea: Chinese beef imports slowed down in October although volume was still higher than a year ago. 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, Argentina and Uruguay. Total Chinese beef imports in October were 168,854 MT, 18,794 MT or 13% higher than the previous year. Imports from Brazil in October were 83,292 MT, 41,837 MT or 101% higher than a year ago. The increase in imports from Brazil more than offset the reduction in imports from Australia (down 22,989 MT), from New Zealand (down 4,845 MT) and from Uruguay (down 4,029 MT). Imports from Argentina in October were 35,233 MT, 4,720 MT or 15% 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 October were 4,375 MT, 3,007 MT or 219% higher than the previous year. Through October Chinese beef imports have been a total of 1.738 million MT, an increase of 457k

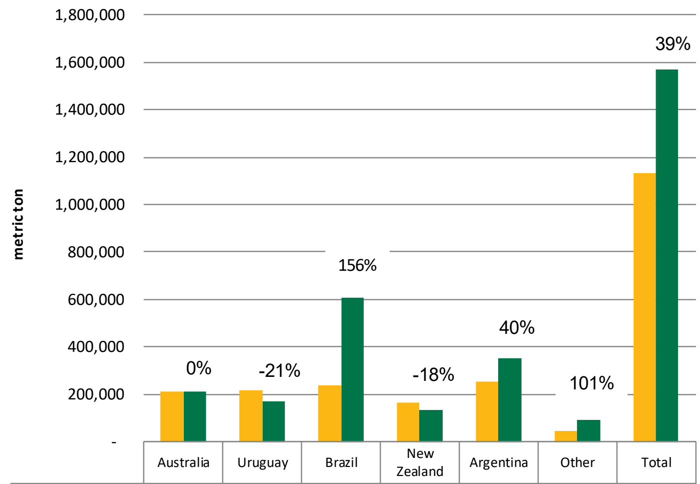
Asia / EU Trade Statistics

MT or 36% compared to the previous year. Imports from Brazil during this period have increased by 410k MT or 147% while imports from Argentina have increased another 106k MT or 37%.

Japanese beef production in October was estimated at 29,433 MT, 4.2% higher than the previous year. Adult cattle slaughter for the month was estimated at 93,735 head, 3.5% higher than the previous year. Slaughter of Wagyu breed animals for the month was 43,133 head, 11.6% higher than a year ago. Beef imports in October were 50,951 MT, down 8% compared to the previous year. Imports from the US in October were 21,904 MT, 906 MT higher than the previous year. The increase offset the reduction in imports from Canada. October imports from Canada were 3,524 MT, 935 MT lower than the previous year. Imports from Australia in October were 22,552 MT, down 4,773 MT or 17.4% compared to a year ago.

China Fresh/Frozen Beef Imports

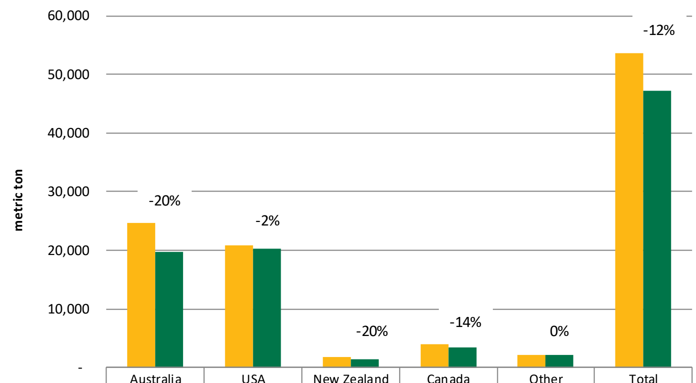
Data for YTD Jan-Sep Units: Metric Tons



	Australia	Uruguay	Brazil	New Zealand	Argentina	Other	Total
2019 YTD Jan - Sep	214,502	216,880	236,890	165,024	253,220	45,353	1,131,869
2020 YTD Jan - Sep	214,295	171,522	605,366	135,532	353,995	91,346	1,572,056

Japan Fresh/Frozen Beef Imports

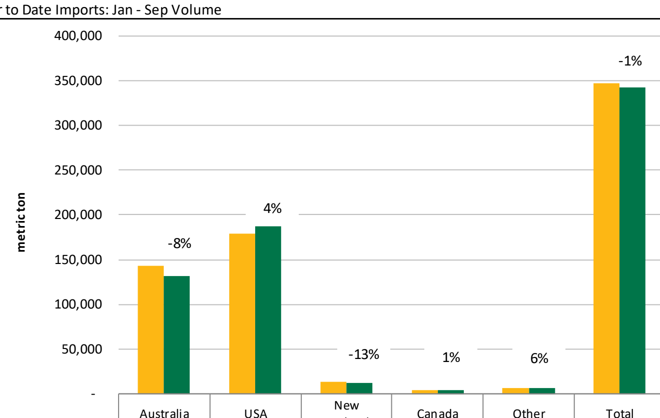
Latest Data for August Units: Metric Tons



	Australia	USA	New Zealand	Canada	Other	Total
Aug-19	24,746	20,790	1,730	4,081	2,174	53,521
Aug-20	19,816	20,334	1,387	3,494	2,173	47,204

South Korea Fresh/Frozen Beef Imports

Year to Date Imports: Jan - Sep Volume



	Australia	USA	New Zealand	Canada	Other	Total
2019 YTD Jan - Sep	143,155	179,474	13,411	4,555	6,337	346,932
2020 YTD Jan - Sep	131,742	187,183	11,645	4,617	6,698	341,885

Oceania Update

New Zealand: New Zealand slaughter in October was only slightly above year ago levels but it appears that slaughter in November is increasing at a faster pace. Cattle slaughter in the last week of October and first week of November averaged 26% above year ago levels, mostly due to more bulls coming to market. Bull slaughter during this period was a little over 10,000 head, up 26% compared to last year.

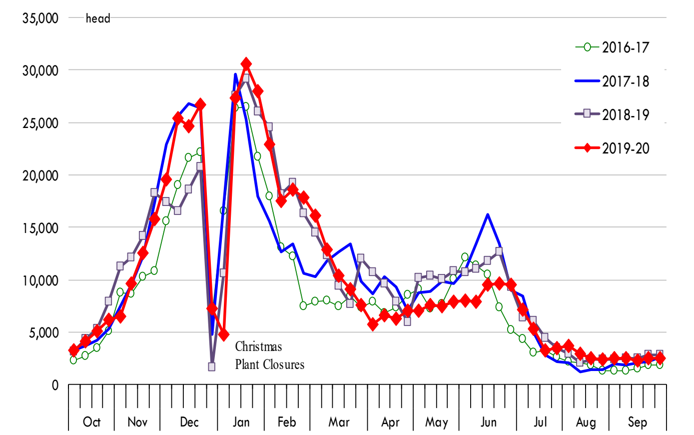
New Zealand exports of fresh/frozen beef in October were 24,551 MT, 4% lower than a year ago. We think November exports will show an increase given current pace of slaughter. Export flows have shifted dramatically from a year ago. Exports to China were 9,925 MT, down 34% compared to a year ago but still accounting for 40% of all shipments. Exports to the US were 6,181 MT, almost double last year's levels and representing a 34% share.

Australia: A sharp decline in the number of cattle available for slaughter and sharply higher cattle prices reduced beef output and exports in November. Cattle slaughter in the four weeks ending November 27 averaged 106,759 head/week, 32% lower than the same four week stretch a year ago. This was not an aberration. Slaughter has been around current levels for the last three months and the consistent decline in supply availability is driving price inflation, both in the domestic cattle market and export business. Slaughter in Queensland in the last four weeks averaged 53,365 head/week, 34% lower than a year ago.

The decline in slaughter significantly impacted the amount of beef going to export channels. Exports were down overall but performance for individual countries varies. Total Australian beef exports in November were 79,947 MT, 23% lower than last year. Chilled beef exports were 25,660 MT, 1% higher than a year ago while frozen beef exports declined by 31%. In the last four months, Australian beef exports have averaged around 78,000 MT/month, reflecting the decline in slaughter during this period. Exports to the US in November were 9,596 MT, 30% lower than a year ago. This is the smallest monthly export volume to the US in almost a decade. Exports to China, a top market a year ago, also saw a sharp decline in November. Shipments for the month were 13,064 MT, 62% lower than a year ago. On the other hand, Australian packers continue to maintain export volumes to S. Korean and Japanese markets, a function of the prices these markets are willing to pay. Exports to S. Korea in November were 16,559 MT, 27% higher than a year ago. Exports to Japan were 25,422 MT, 7% higher than last year. Exports to the Middle East also remain

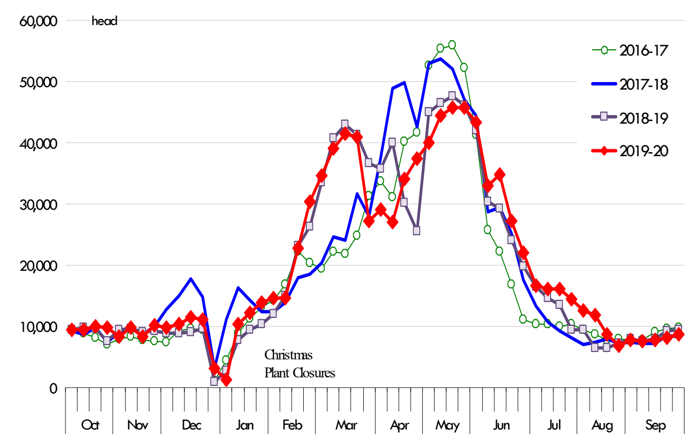
New Zealand Weekly Bull Slaughter

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



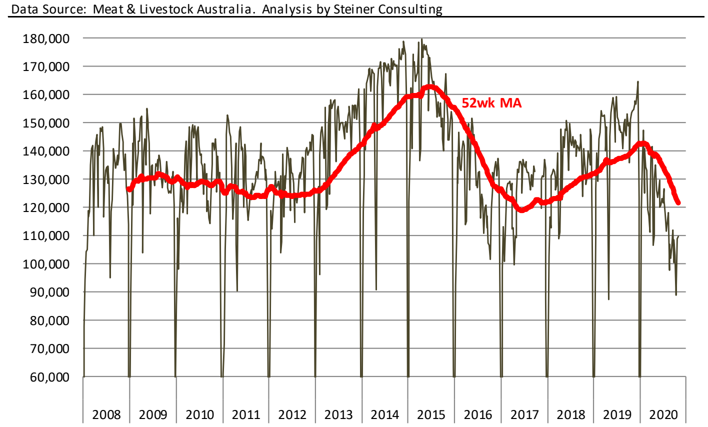
New Zealand Weekly Cow Slaughter

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

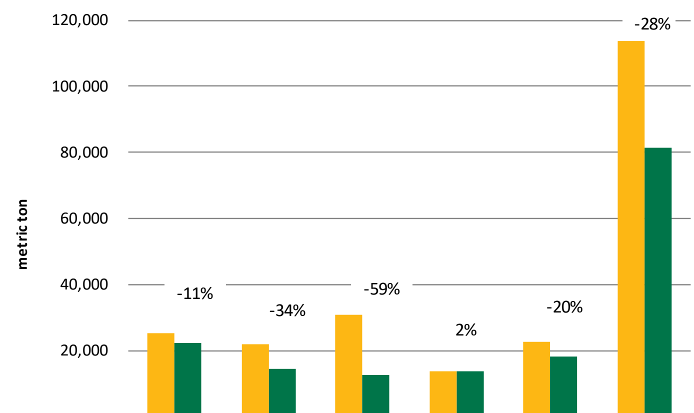


Oceania Statistics

firm, in part because buyers in the region are finding it more difficult to compete with China in South America. Exports to the Middle East at 2,803 MT were up 22%.

Australia Fresh/Frozen Beef Exports

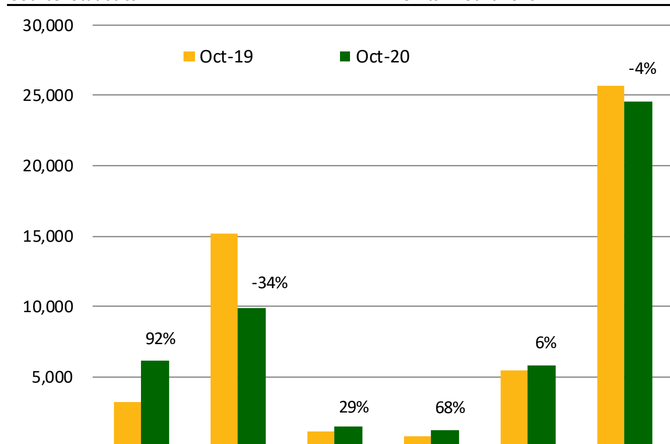
Latest Data for October Units: Metric Tons



	Japan	USA	China	Korea, South	Other	Total
Oct-19	25,058	21,843	30,724	13,537	22,557	113,719
Oct-20	22,371	14,486	12,640	13,829	17,989	81,314
Y/Y Diff.	(2,687)	(7,357)	(18,084)	292	(4,568)	(32,405)

New Zealand Fresh/Frozen Beef Exports in October

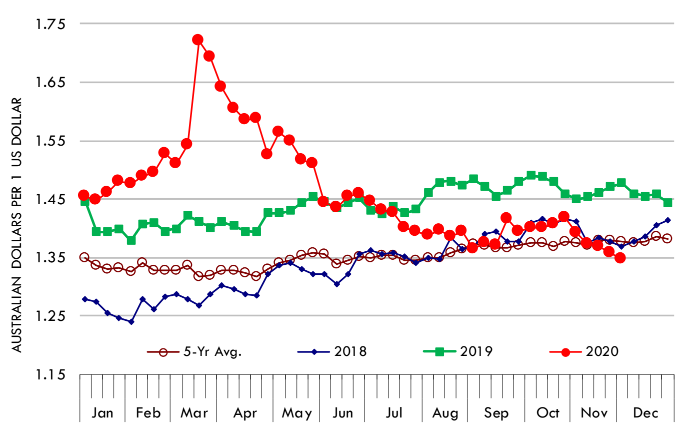
Source: Statistics NZ Units: Metric Tons



	US	China	Japan	South Korea	Other	Total
Oct-19	3,225	15,144	1,119	729	5,460	25,677
Oct-20	6,181	9,925	1,441	1,222	5,782	24,551
Y/Y Diff.	2,956	(5,219)	322	493	322	(1,125)

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