MEAT & LIVESTOCK AUSTRALIA

Global Beef Market Monthly Review

January 2021

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Inside this issue:

Highlights:

- China beef imports rebounded in December after back to back down months last fall. China has grown increasingly dependent on South American beef, with almost 80% of imports in December coming from Brazil, Argentina and Uruguay.
- While Chinese beef imports are expected to increase again in 2021, the pace of imports is expected to slow down. This is to be expected since China imports over 2 million MT last year and gobbled up all the excess supply available and also “bought” product away from other markets.
- Brazil has quickly ramped up the pace of exports to China and in December over 70% of all Brazilian beef shipments went to Mainland China and Hong Kong.
- Higher feed costs and runaway inflation present a challenge for South American producers, especially those in Argentina and Uruguay.
- US cattle supplies in feedlots remain near year ago levels but lower calf crops in the last two years and escalating feed costs will impact production and pricing in North America, especially in the second half of 2021.
- Global beef production growth will be limited in 2021 due to lower production in Oceania, limited supply growth in North America and female retention efforts in South America.

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	4,798,587	52,507	1%
Australia	19%	0%	Dec 2020	85,044	-30,644	-26%	1,228,963	1,039,410	-189,554	-15%
Argentina	2%	0%	Nov 2020	64,351	6,039	10%	556,462	639,931	83,469	15%
New Zealand	7%	0%	Nov 2020	32,901	1,228	4%	464,145	465,074	928	0%
Brazil	18%	1%	Dec 2020	142,524	-6,243	-4%	1,535,091	1,725,442	190,351	12%
USA	11%		Nov 2020	87,660	10,154	13%	961,419	928,730	-32,688	-3%
IMPORTS							3,900,668	4,429,127	528,459	14%
USA		20%	Nov 2020	73,376	-2,625	-3%	976,446	1,074,090	97,645	10%
China	0%	9%	Dec-20	208,891	19,660	10%	1,657,152	2,117,895	460,743	28%
Hong Kong			Dec 2020	30,028	-6,524	-18%	364,920	366,744	1,825	0%
Japan	0%	9%	Nov 2020	49,435	2,141	5%	615,381	612,304	-3,077	-1%
Russia	0%	8%	Oct 2020	21,524	-2,760	-11%	286,770	258,093	-28,677	-10%

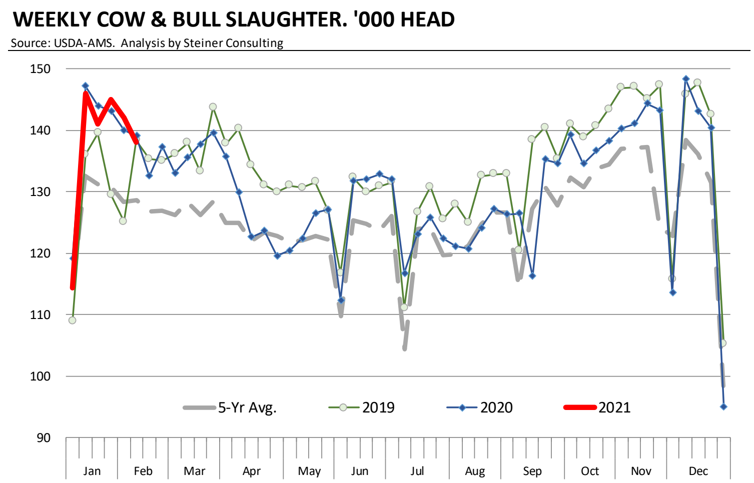
*** Product wt. basis. Projections for 2019 made by Steiner Consulting.

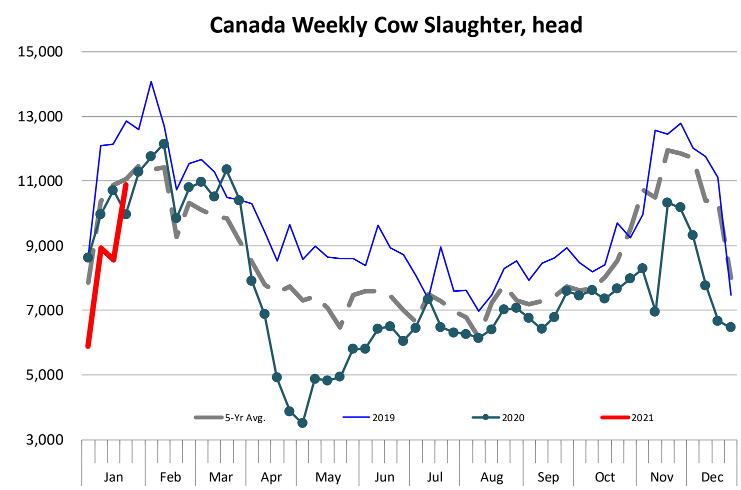
North America Market Update

United States: On January 1 the total inventory of cattle in US feedlots with +1000 head capacity was estimated at 11.965 million head, slightly higher than the previous year. The survey continued to show that supplies are front loaded, with the inventory of cattle that have been on feed for 120 days or more up 8.7% compared to a year ago. The inventory of cattle with 150 days or more on feed was again over 2 million head, 144k head or 7.6% higher than a year ago. The increase in placements during the summer months directly impacts current supply of market ready cattle. Fed cattle weights remain heavy, another indication of ample front end supplies. In its latest update, USDA noted that fed steer carcass weights are currently averaging 923 pounds, 2.1% higher than a year ago. Good beef demand and a robust slaughter pace should help feedlots become increasingly current in March and April, supporting cattle prices.

Feedlots with +1000 head capacity placed 1.842 million head of cattle on feed during December, 14,000 head or 0.8% more than a year ago. There was broad expectation that placements as higher feed costs reduce the incentive to add pounds in the feedlot. As we look at the structure of placements, that was clearly the case in December. Placements of cattle under 600 pounds were 5k head or 1% lower than last year while placements of cattle 600-699 pounds were 20k head or 4% lower than last year. On the other hand, placements of cattle over 800 pounds were 27k head or 5.5% higher than last year. The increase in placements was also driven by regional trends, with placements up in the North and down sharply in the South. Texas placements were down 30k head or 7.3% compared to a year ago and placements in Oklahoma declined another 16k head or 27%. On the other hand, high feed costs in the North likely forced producers to push more feeders into feedlots. Placements in Iowa were up 21k head or 29% compared to a year ago and placements in Colorado and Nebraska were up 15k head, respectively.

US fed cattle futures have surged higher in the last three months, largely on optimism that the rollout of vaccines and seasonal demand from the start of grilling season will result in significant beef price inflation. Also adding to the upside price pressure is the fact that producers placed fewer cattle on feed in October and November while December placements were flat. Fed cattle weights also decline into the spring and high feed costs have had a significant negative impact on the cost of gain. For now, buyers are stuck in panic buying mode as they try to get more meat around them. The choice beef cutout has gained about $20/cwt in the last three weeks, with half of those gains coming from higher loin prices.





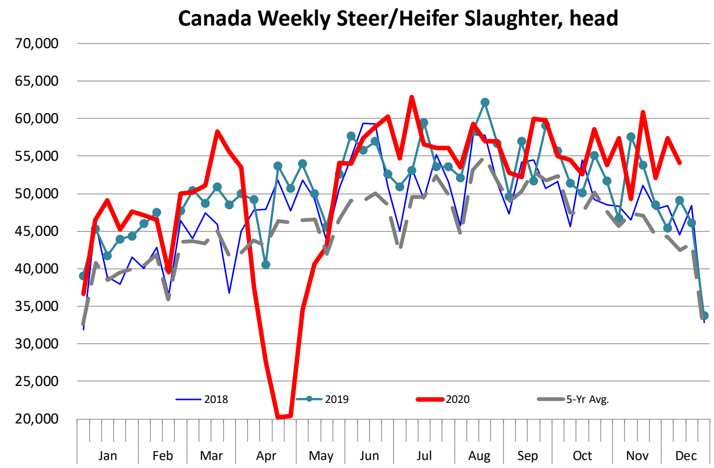
Canada: Cow slaughter in Canada for all of 2020 was estimated at 407,524 head, down 19.6% compared to the previous year. This was the smallest cow slaughter number since 2016 but the level of slaughter may not be enough to bolster Canadian cow inventories. Rather, the decline reflects a slowdown in herd liquidation as well as the fact that Canadian cow numbers have been declining for the last 20 years. With fewer cows on the ground, the number of cull animals will also be lower. The ratio of Canadian cow slaughter for all of 2020 to the inventory of beef and dairy cows on January 1, 2020 was 9%. The two years when we saw an increase in Canadian cow invento-

North America (continued)

ries was in 2017 and 2018. The ratio of cow slaughter to inventory in 2015 and 2016 was 7.4% and 8.5%, setting the stage for the modest gains during those two years. At this time we do not expect much of an improvement in Canadian cow numbers but, if cow slaughter remains below year ago levels, eventually we should start to see some modest improvement in cow supplies. Cow slaughter in the first few weeks of this year has continued the trend we saw in 2020. In the first three full weeks of this year, cow slaughter averaged 9,459 head/week, down 7% compared to a year ago. Lower cow slaughter numbers should continue to support demand for imported grinding beef. Lack of Australian product should drive strong demand for New Zealand and Uruguayan product.

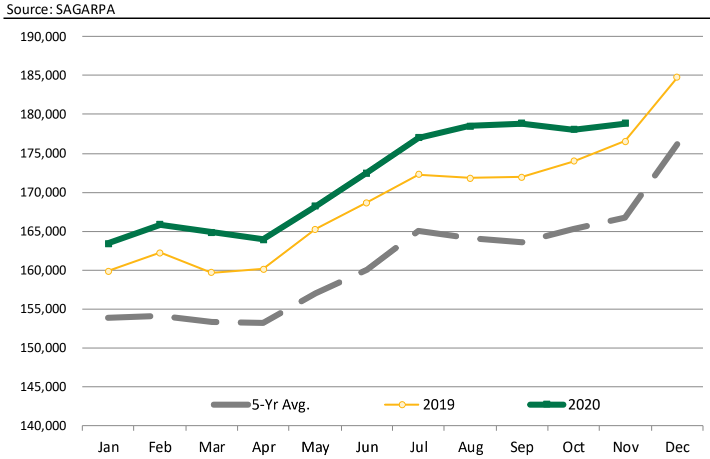
Mexico: After a slowdown in production during the fall months, Mexican beef production jumped higher in December. Seasonal demand and high prices tend to encourage production in December and that was the case again this year. Total December beef production was estimated at 189.3k MT, 5.9% higher than the previous month and 2.5% higher than the five year average. Production increased in the two key producing states of Veracruz (+6.8%) and Jalisco (+6%). Strong demand in the domestic market and the weak US dollar have limited the amount of Mexican beef going to the US. The latest trade data for the US is for the month of November, showing imports from Mexico were 31% lower than the previous year.

Despite the increase in Mexican beef production in December, weekly data suggests that Mexican beef imports remained limited compared to where they were the previous year. In the four weeks ending December 26, US imports of Mexican beef were 24% lower than the previous year and that trend has continued so far in January as well.



Mexico Beef Production

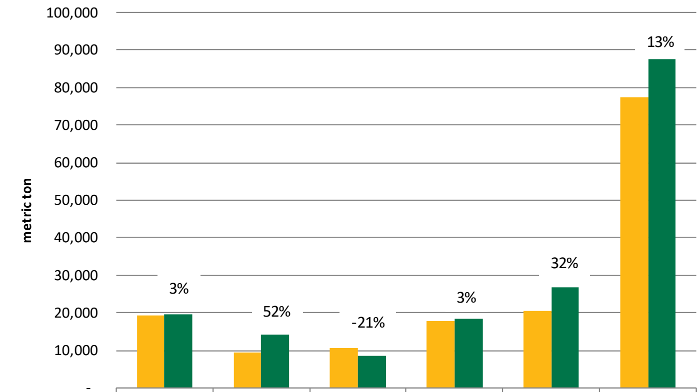
Source: SAGARPA



North America Trade Statistics

USA Fresh/Frozen Beef Exports

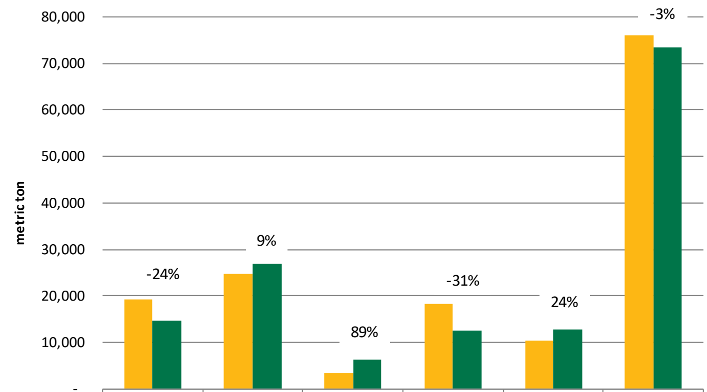
Latest Data for November — Units: Metric Tons



	Japan	Mexico	Hong Kong	Korea, South	Other	World Total
Nov-19	19,190	9,440	10,730	17,779	20,367	77,506
Nov-20	19,712	14,309	8,430	18,300	26,909	87,660
Y/Y Diff.	3%	52%	-21%	3%	32%	13%

USA Fresh/Frozen Beef Imports

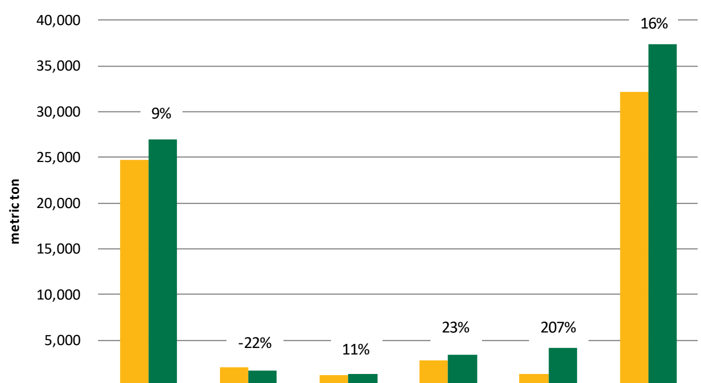
Latest Data for November — Units: Metric Tons



	Australia	Canada	New Zealand	Mexico	Other	World Total
Nov-19	19,363	24,783	3,358	18,229	10,268	76,001
Nov-20	14,735	26,926	6,352	12,604	12,761	73,376
Y/Y Diff.	-24%	9%	89%	-31%	24%	-3%

Canada Fresh/Frozen Beef Exports

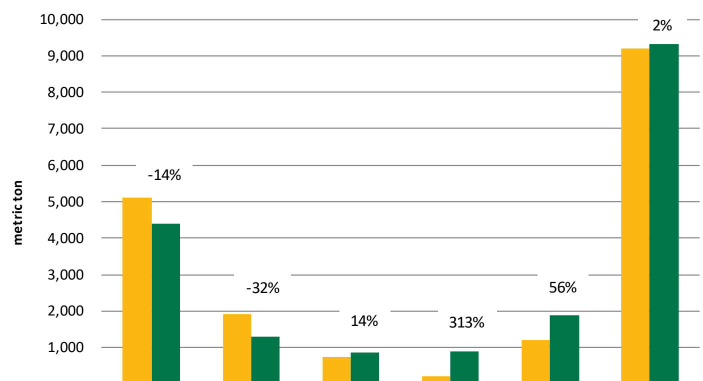
Latest Data for November — Units: Metric Tons



	USA	Hong Kong	Mexico	Japan	Other	Total
Nov-19	24,784	2,086	1,155	2,820	1,354	32,199
Nov-20	26,907	1,635	1,285	3,455	4,153	37,435
Y/Y Diff.	9%	-22%	11%	23%	207%	16%

Canada Fresh/Frozen Beef Imports

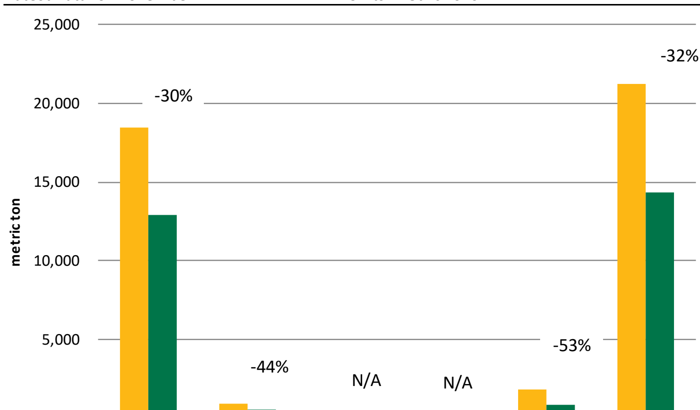
Latest Data for November — Units: Metric Tons



	U.S.A.	Australia	New Zealand	Uruguay	Other	Total
Nov-19	5,099	1,908	753	215	1,211	9,186
Nov-20	4,383	1,305	861	889	1,889	9,327
Y/Y Diff.	9%	-22%	11%	23%	207%	16%

Mexico Fresh/Frozen Beef Exports

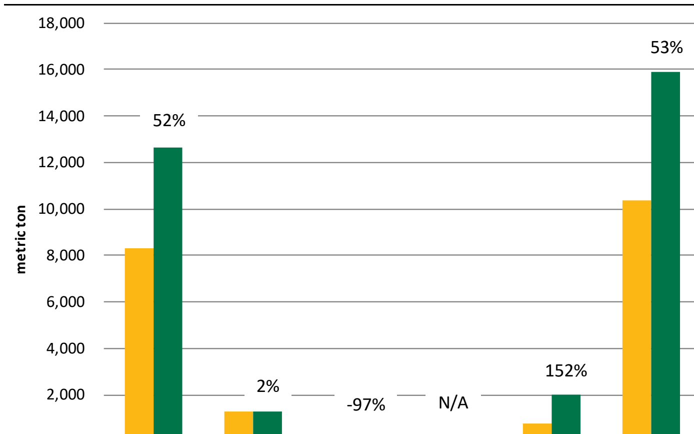
Latest Data for November — Units: Metric Tons



	USA	Japan	Vietnam	Angola	Other	World Total
Nov-19	18,421	959	-	-	1,842	21,221
Nov-20	12,951	537	-	-	857	14,345
Y/Y Diff.	-30%	-44%	0%	0%	-53%	-32%

Mexico Fresh/Frozen Beef Imports

Latest Data for November — Units: Metric Tons

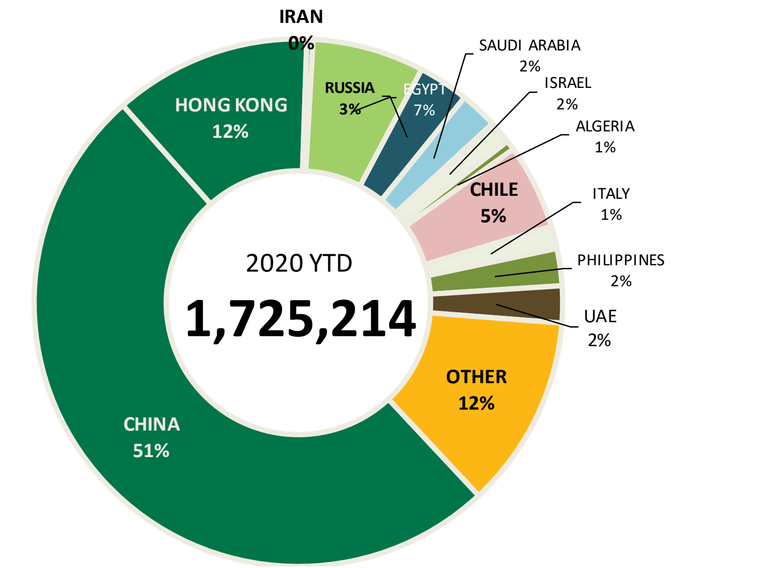


	USA	Canada	Australia	New Zealand	Other	World Total
Nov-19	8,314	1,255	29	-	787	10,385
Nov-20	12,637	1,278	1	0	1,985	15,901
Y/Y Diff.	52%	2%	-97%	0%	152%	53%

South America Market Update

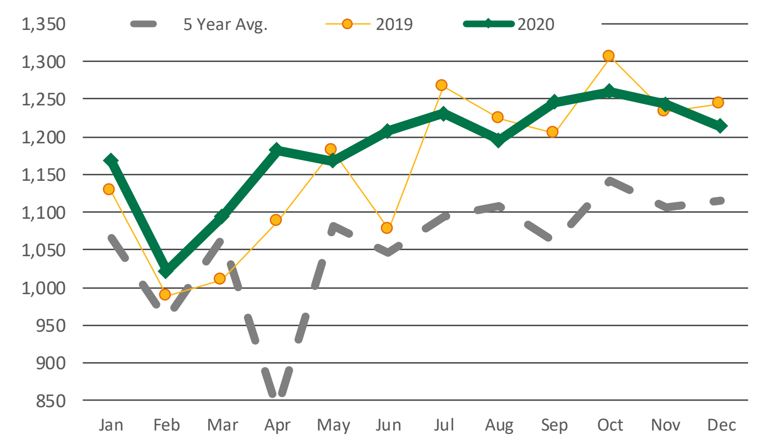
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Dec 2020



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



Brazil: Brazilian beef exports slowed down in December but the volume of beef exported was still better than what we saw earlier in the year, when COVID disrupted shipments to a number of markets. Total Brazilian exports of fresh/frozen beef in December were 142,524 MT, 6,243 MT or 4% lower than the previous year. Exports were down to a number of key markets but not to China, the primary destination for Brazilian beef at this. Exports to China in December were 88,608 MT, 6% higher than a year ago and representing 62% of all Brazilian beef shipments. Exports to Hong Kong were 13,584 MT, 15% lower. The combined volume of Brazilian beef going to China Mainland and Hong Kong in December was 72%, a hard to comprehend number given the position of Brazil as the leading beef exporter in the world. For all of 2020, Brazilian beef exports to China were 869,297 MT, almost 380k MT or 77% higher than the previous year. Exports to Hong Kong in 2020 were another 208,157 MT, bringing the total shipments to this market to near 1.1 million MT. Three years ago (2017), exports to China Mainland and Hong Kong were 460,800 MT.

Brazilian beef exports to the US have settled to around 2,000 MT per month although December shipments were quite a bit lower at 1,207 MT. There were no exports the previous year to compare to but in May and June, when US prices skyrocketed shipments were as high as 4,000 MT. For all of 2020 Brazil shipped a little over 20k MT to the US market. Shipments only started in April so we expect 2021 will see somewhere around 25k-30k MT.

Argentina: Argentine exports of fresh and frozen beef in November were 64,351 MT, 10% higher than the previous year. China has been the driver for the growth in exports for much of this year and that was the case again in November. Exports to China last month were 54,443 MT, 7,027 MT or 15% higher than a year ago and accounted for almost 85% of all beef shipments. Through November, beef exports to China have accounted for 76% of all shipments. This is comparable to the market share of last year but higher than in 2018 and 2017 when China's share was 57% and 46%, respectively. Beef exports to the US were minimal in November as the country filled its 20,000 MT quota. Much of the quota was filled during three months this summer (Jun, Jul, Aug) when Argentine beef exports were a total of 14,000 MT. The value of Argentine beef exports was down sharply in November, however. According to IPCVA, the average export price for the month was 30.5% lower than a year ago, resulting in a 22.6% decline in export value for the month.

Cattle slaughter in Argentina in December was 1.214 million head, 2.4 lower than a year ago. Slaughter for all of 2020 was 14.232 million head, 2% lower than a year ago.

Uruguay: Different from a year ago, where slaughter was low for much of Q1, this year slaughter is largely following the normal seasonal pattern. In the four weeks ending January 23, total slaughter averaged 44,602 head per

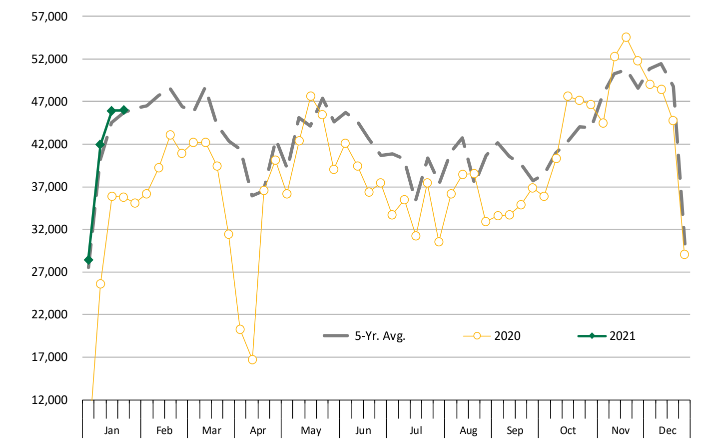
South America (continued)

week, 38% higher than a year ago and 5% higher than the five year average. Most of the increase is due to more steers and heifers coming to market. Steer heifer during this period averaged 20,441 head/wk, 37% higher than last year. Given strong demand and higher cattle prices, producers have limited the number of cull cows. Cow slaughter during the reference period averaged 5,879 head/wk, 53% lower than a year ago and a stunning 72% lower than the five year average. The four week period in question includes a holiday week so we may need to wait a couple of more weeks to truly assess the cow slaughter trend.

Uruguay had more beef to sell in December and this was manifested in export figures for the month. Total shipments of fresh/frozen beef were 34,251 MT, 20% higher than a year ago. China remains the top market for Uruguayan beef, accounting for 64% of all exports. Shipments to China in December were 22,021 MT, 8% higher than last year. Exports to the EU were down 10% while exports to Russia, once a top market, remain minimal. Exports to the US were 3,512 MT, 41% higher than last year. For all of 2020 shipments to the US were 45,608 MT.

Uruguay Cattle Slaughter, Total

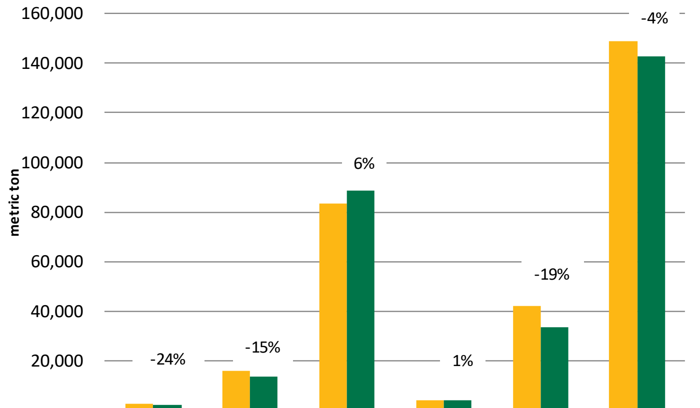
Weekly Slaughter in Head. Source: World Beef Report



South America Trade Statistics

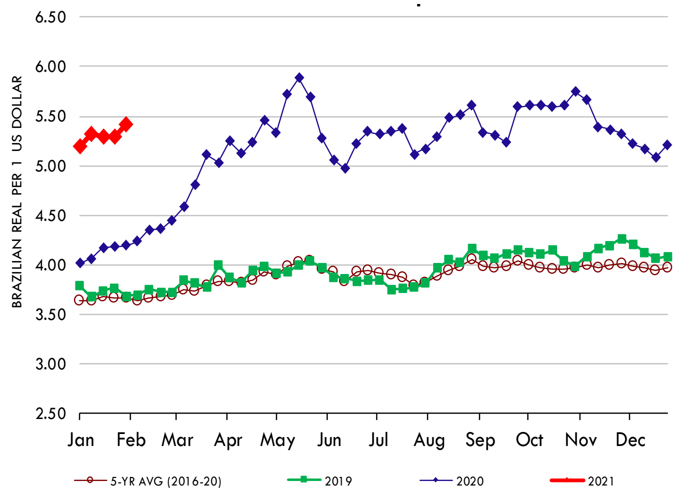
Brazil Fresh/Frozen Beef Exports

Latest Data for December — Units: Metric Tons



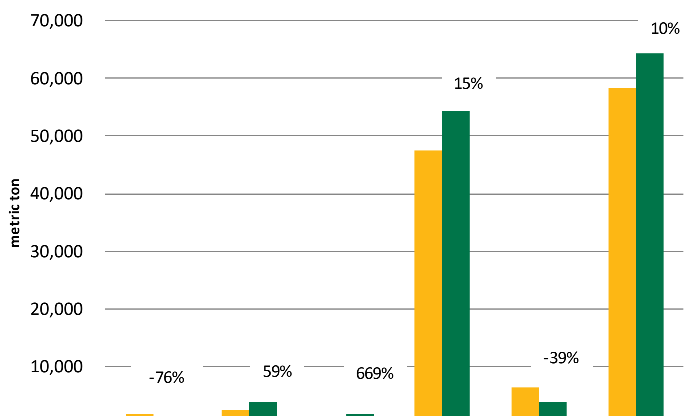
	Russia	Hong Kong	China	Egypt	Other	Total
Dec-19	2,822	16,076	83,549	4,340	41,980	148,767
Dec-20	2,157	13,584	88,608	4,369	33,805	142,524

Brazilian Real Per 1 US Dollar



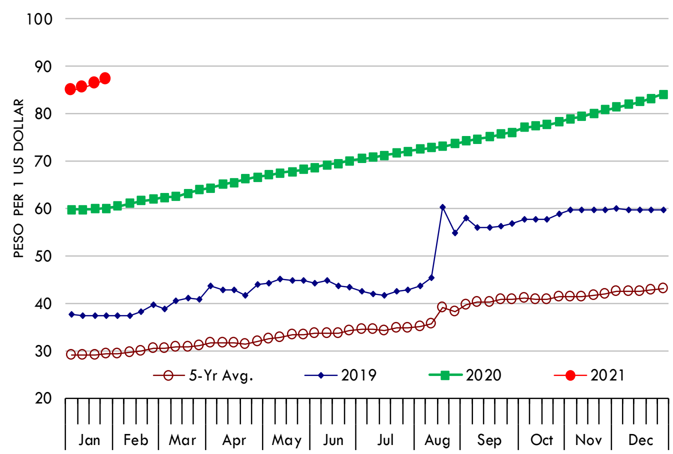
Argentina Fresh/Frozen Beef Exports

Latest Data for November — Units: Metric Tons



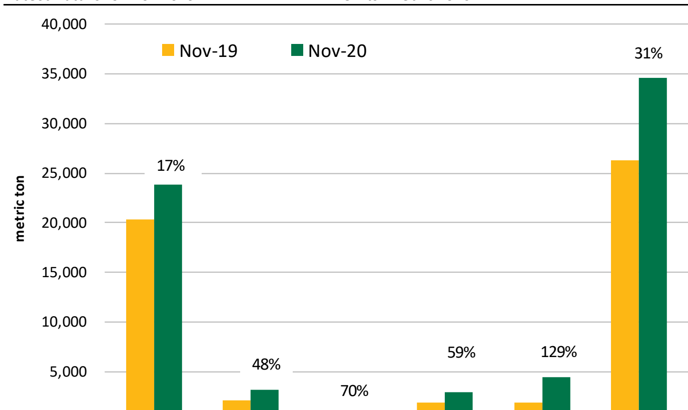
	Russia	Chile	Israel	China	Other	Total
Nov-19	1,805	2,387	230	47,416	6,473	58,311
Nov-20	425	3,800	1,767	54,443	3,917	64,351

Argentine Peso Per 1 US Dollar



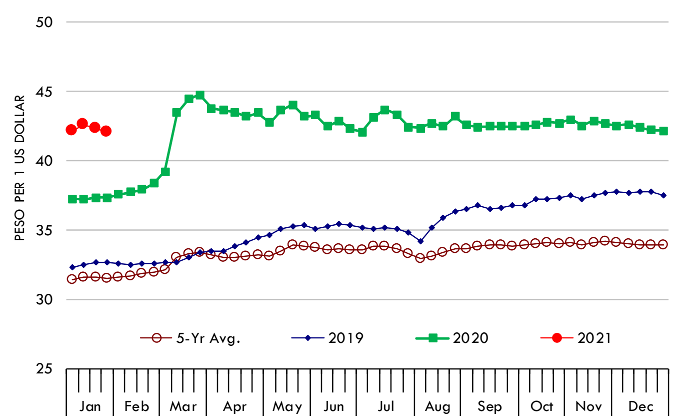
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Nov 2020 — Units: Metric Tons



	China	EU	Russia	US	Other	Total
Nov-19	20,317	2,181	20	1,854	1,955	26,327
Nov-20	23,842	3,219	34	2,941	4,486	34,522

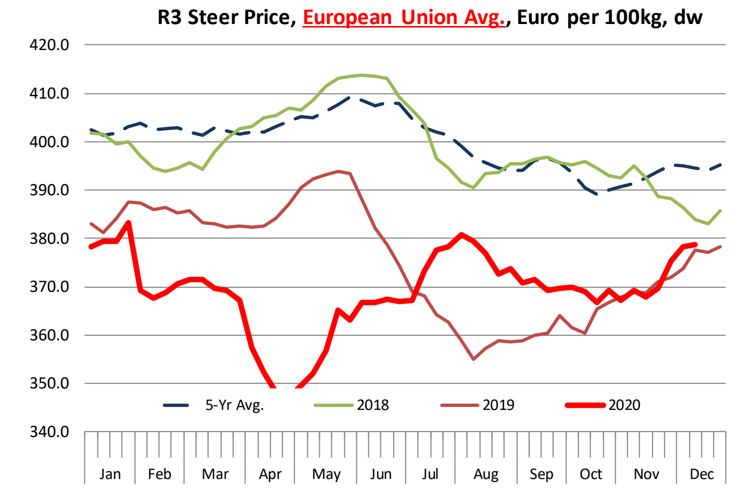
Uruguay Peso Per 1 US Dollar

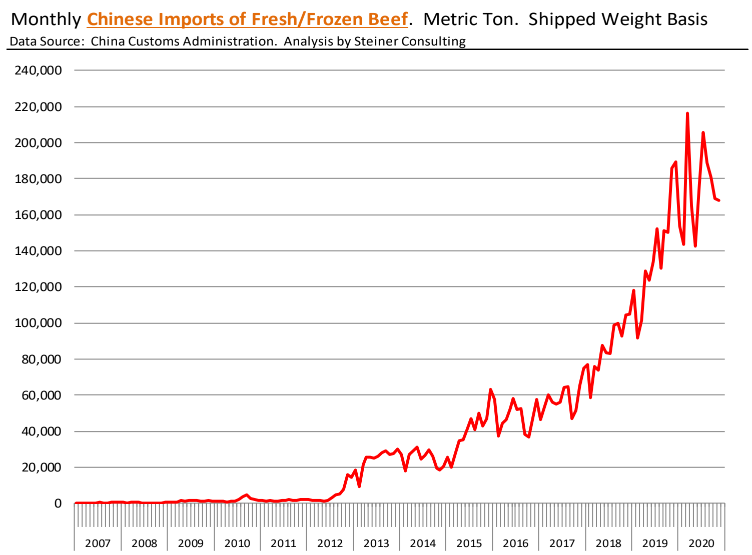


Asia / EU Market Update

European Union: Seasonally cattle slaughter tends to increase in January and February, in part due to the back-up created by the year-end holidays. So far this year, however, slaughter is off to a very slow start. The agreement between UK and EU removed the threat of tariffs but there is still a lot of uncertainty as to how demand will develop in the next few months. Until now Irish beef was a key part of the beef supply in Britain but it may now have to compete directly with less expensive imported beef from countries outside the EU. In the four weeks ending January 24, cattle slaughter in Ireland averaged 29,445 head/wk, down 12% compared to the previous year. This includes the one holiday shortened week at the start of the year. In the last three full weeks, slaughter has averaged around 32k head per week, still down about 8% compared to the previous year. Slaughter is down across the board but, as has been the case for many months now, the biggest decline is in the number of young bulls coming to market. During the four week reference period, bull slaughter averaged 3,294 head/wk, 32% lower than the previous year. Cow slaughter averaged 5,774 head/wk, 2.9% lower than last year.

For the week ending January 24, the average R3 steer price in Ireland was 3.83 euro/kg, 5.7% higher than the previous year and the highest steer price since the summer of 2019. Steer prices in the EU averaged 3.85 euro/kg, about the same as the previous year. The trend in Irish cow prices is similar, with the latest price pegged at 3 euro/kg, 7% higher than last year. The average cow price in the EU was 2.72 euro/kg, down 2% from last year.





China/Japan/S. Korea: Chinese beef imports rebounded in December. Total imports of fresh/frozen beef for the month were 208,891 MT, 24% higher than the previous month and 10% higher than the previous year. This was the second highest monthly import volume on record. China was able to secure over 200,000 MT of monthly beef volume even as it purchased less beef from Australia and New Zealand, two of the largest beef exporting countries in the world. Beef imports from Australia in December were 12,597 MT, almost 50% smaller than a year ago. Imports from New Zealand were 14,375 MT, 20% below last year. South America has become at this time an almost exclusive supplier to China. Chinese purchases now account for over 70% of exports in the three key exporting countries, Brazil, Argentina and Uruguay. Chinese imports of Brazilian beef in December were 86,959 MT, 37% higher than the previous year. Imports from Argentina were 51,107 MT, up 12% while imports from Uruguay at 26,690 MT were 11% higher. In total, imports from these three countries accounted for 79% of all beef imports in December. For all of 2020, China imported 2.118 million MT of fresh/frozen beef, 460,743 MT or 28% more than the previous year and just shy of our +30% projection. China has also started to secure more beef from the US although overall volume remains small given the size of demand. Imports from the US in December were near 7,000 MT, the highest monthly volume ever imported from the US and a four fold increase from the previous year. With less high quality, grain fed beef coming from Australia, Chinese buyers are now shifting some of those purchases to North America. US beef now has a price

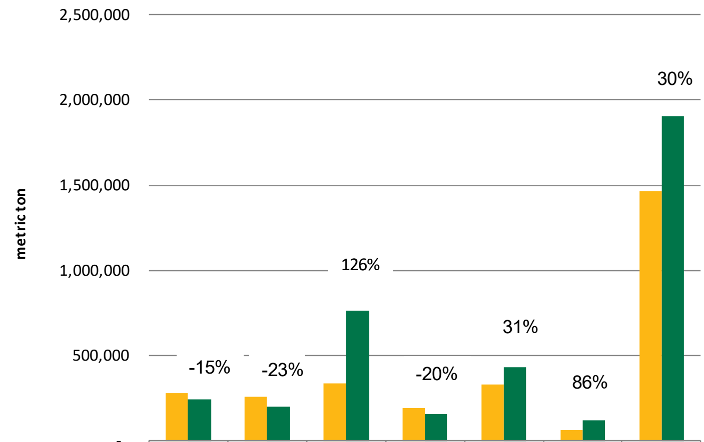
Asia / EU Trade Statistics

advantage as well, in part because of the decline in the value of the US dollar. This suggests US beef shipments to China may increase, at least in the next few months.

Japanese beef production was estimated at 33,750 MT in November, 1% higher than the previous year. We expect December production to be around 30,600 MT and total production for the year is currently projected at around 334,000 MT, 1.2% higher than the previous year. Japanese beef production has been largely flat in the last few years and production for 2020 is only about 2000 MT higher than it was five years ago. Imports remain a key part of the beef economy in Japan and that is unlikely to change. Total beef imports in November were estimated at 49,435 MT, 4.5% higher than the previous year. Beef imports from Australia were 21,180 MT, down 9% compared to a year ago while beef imports from the US were 22,653 MT, 40% higher than a year ago. Other beef suppliers have a relatively small role. Imports from New Zealand were 1,187 MT, 31% higher while imports from Canada, a growing market last year, declined by more than 2000 MT or 38% in December.

China Fresh/Frozen Beef Imports

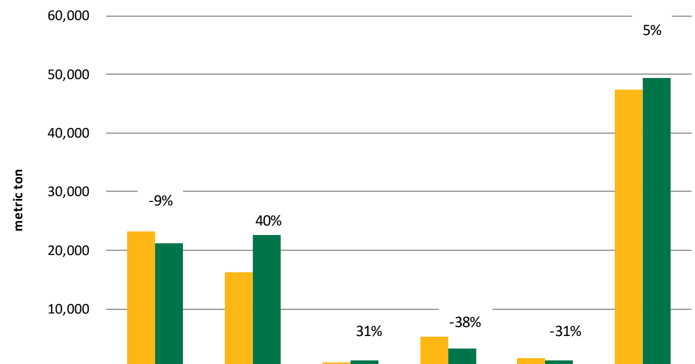
Data for YTD Jan-Nov Units: Metric Tons



	Australia	Uruguay	Brazil	New Zealand	Argentina	Other	Total
2019 YTD Jan - Nov	282,341	261,664	336,268	193,728	329,789	64,130	1,467,920
2020 YTD Jan - Nov	241,147	202,359	761,514	154,560	430,431	118,992	1,909,003

Japan Fresh/Frozen Beef Imports

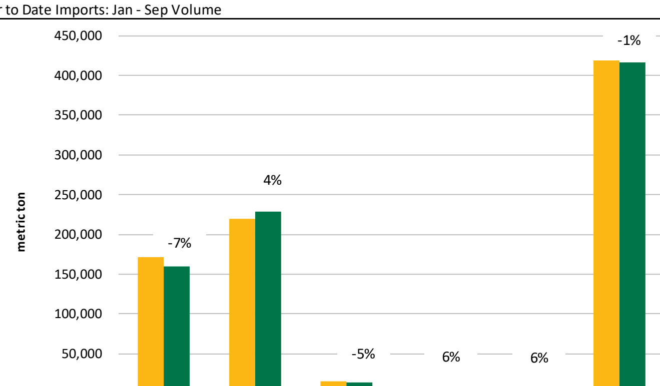
Latest Data for November Units: Metric Tons



	Australia	USA	New Zealand	Canada	Other	Total
Nov-19	23,177	16,238	905	5,297	1,677	47,294
Nov-20	21,180	22,653	1,187	3,261	1,154	49,435

South Korea Fresh/Frozen Beef Imports

Year to Date Imports: Jan - Sep Volume



	Australia	USA	New Zealand	Canada	Other	Total
2019 YTD Jan - Nov	170,973	220,054	15,112	5,278	7,883	419,300
2020 YTD Jan - Nov	159,570	228,280	14,328	5,590	8,376	416,144

Oceania Update

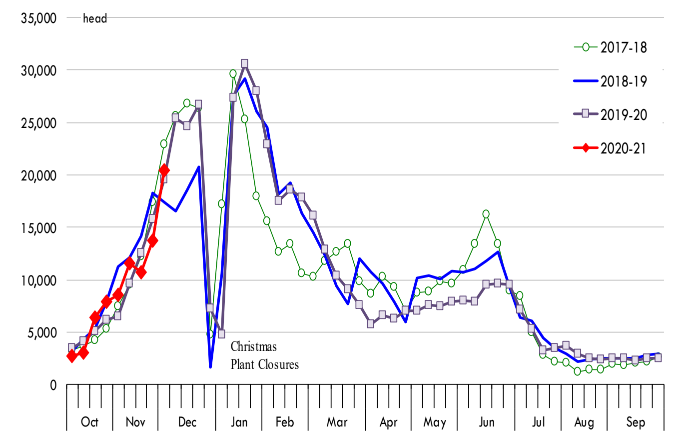
New Zealand: New Zealand slaughter has largely followed the seasonal trend from both last year and 2017-18. If the seasonal trend continues, and we see no reason why it will not, slaughter likely continued to increase through mid December before plants were closed for holidays at the end of the year. Moisture conditions in New Zealand remain near normal levels and dairy prices remain range bound in the near term. The New Zealand dollar has recently gained vs. the US dollar, which normally tends to discourage shipments to the US market relative to other destinations.

New Zealand exports of fresh/frozen beef in November were 32,901 MT, 4% higher than a year ago. China remains the top market, taking 14,447 MT in November, 44% of all exports but 21% lower than a year ago. Exports to the US were 9,096 MT, double year ago levels but still accounting for just 28% of all shipments.

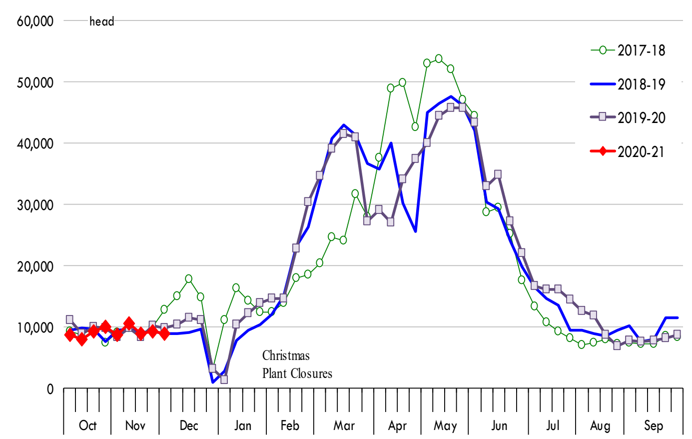
Australia: Cattle supply availability in Australia remains limited and production will be constrained in the near term. In the four weeks ending December 11, slaughter averaged 110,342 head/week, 31% lower than a year ago. The decline in slaughter has limited the amount of beef going to export markets. However, it should be noted that November figures, especially export figures for the US, may have also been skewed by some administrative issues. A similar issue developed last year, with export shipments in November 2019 pegged at under 14,000 MT but then jumping to 28,700 MT in December. We do not see exports to the US jumping that high in December but they will be higher than November levels.

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. We currently project December shipments at around 86,000 MT, 26% lower than a year ago. 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. We think quota issuing delays may have played a role. December shipments are currently projected at 16,000 MT, down 44% compared to a year ago. 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

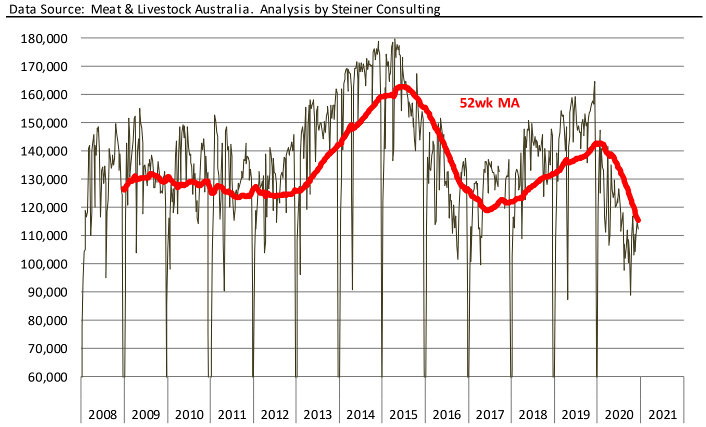
New Zealand Weekly Bull Slaughter
Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



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



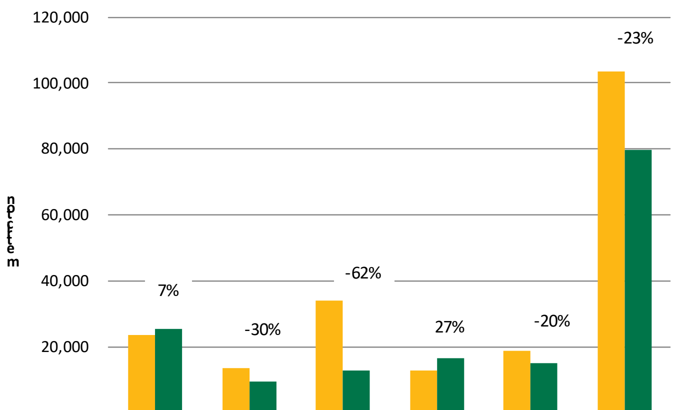
Oceania Statistics

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 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

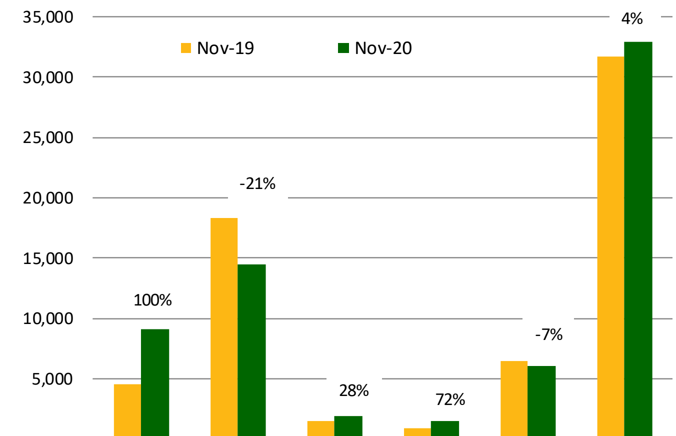
Latest Data for November Units: Metric Tons



	Japan	USA	China	Korea, South	Other	Total
Nov-19	23,702	13,776	34,264	12,996	19,044	103,782
Nov-20	25,422	9,596	13,064	16,559	15,306	79,947
Y/Y Diff.	1,720	(4,180)	(21,200)	3,563	(3,737)	(23,834)

New Zealand Fresh/Frozen Beef Exports in October

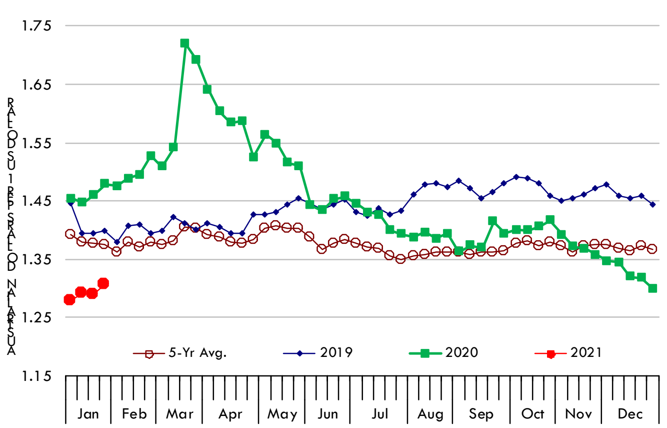
Source: Statistics NZ Units: Metric Tons



	US	China	Japan	South Korea	Other	Total
Nov-19	4,552	18,321	1,446	865	6,489	31,673
Nov-20	9,096	14,447	1,854	1,486	6,018	32,901
Y/Y Diff.	4,543	(3,874)	408	622	(471)	1,228

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