MEAT & LIVESTOCK AUSTRALIA

Global Beef Market Monthly Review

March 2021

March 31, 2021 Volume 3, Issue 3 Prepared by: Steiner Consulting Group, 800-526-4612

Inside this issue:

Highlights:

- High cattle prices and lower slaughter limited the supply of exportable beef in Brazil during the first two months of the year. Exports were down 8% overall. However, exports to China in the first two months were up 30% from last year, while exports to all other markets were down in double digits.
- Beef supplies have been limited in Argentina as well. February exports were up 32% from last year but that is mostly due to the fact that China takes about 2/3 of all Argentine beef and exports to China last year were especially low.
- One of the main surprises in the latest report was the big increase in New Zealand beef exports to China. Shipments to China in February were near 20,000 MT and accounted for over 42% of all exports. Exports to the US were down 17%.
- US beef production was negatively impacted in February by extreme cold temperatures. However, cattle supplies are adequate in the near term. The main challenge for the industry is processing capacity due to the COVID mitigation measures put in place.
- Cattle slaughter in Canada is poised to decline y/y as on feed supply on March 1 was 7% lower than a year ago.

Trade Update for Key Global Players

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

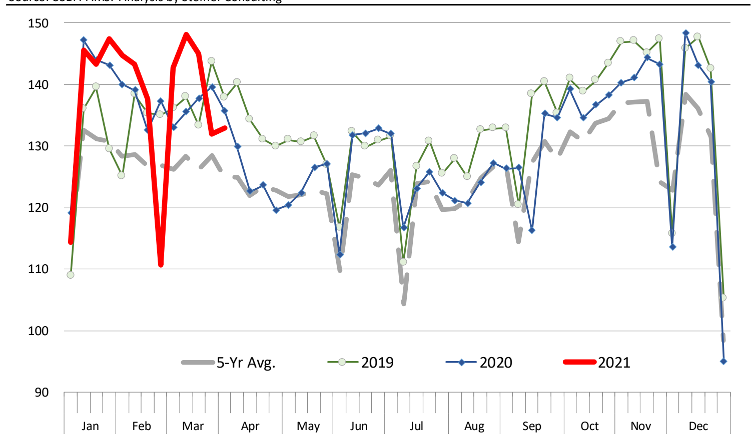
Countries	% of global export	% of global imports	Most Recent Trade Data		Y/Y Ch.	Y/Y % ch.	2020	2021 Estimate	Y/Y Ch.	Y/Y % ch.
EXPORTS							4,787,552	4,763,600	-23,951	-1%
Australia	19%	0%	Feb 2021	66,818	-26,150	-28%	1,039,410	914,681	-124,729	-12%
Argentina	2%	0%	Feb 2021	44,907	10,993	32%	611,086	568,310	-42,776	-7%
New Zealand	7%	0%	Feb 2021	47,467	7,805	20%	472,804	466,658	-6,146	-1%
Brazil	18%	1%	Feb 2021	102,127	-8,453	-8%	1,725,214	1,837,353	112,139	6%
USA	11%		Jan 2021	78,100	191	0%	939,038	976,599	37,562	4%
IMPORTS							4,407,783	4,516,087	108,304	2%
USA		20%	Jan 2021	71,496	-8,121	-10%	1,069,777	984,195	-85,582	-8%
China	0%	9%	Feb-21	162,555	19,001	13%	2,117,895	2,287,327	169,432	8%
Hong Kong			Jan 2021	29,293	7,555	35%	363,847	365,666	1,819	0%
Japan	0%	9%	Feb 2021	37,331	-4,534	-11%	600,394	606,398	6,004	1%
Russia	0%	8%	Jan 2021	17,219	-3,457	-17%	255,870	272,502	16,632	7%

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

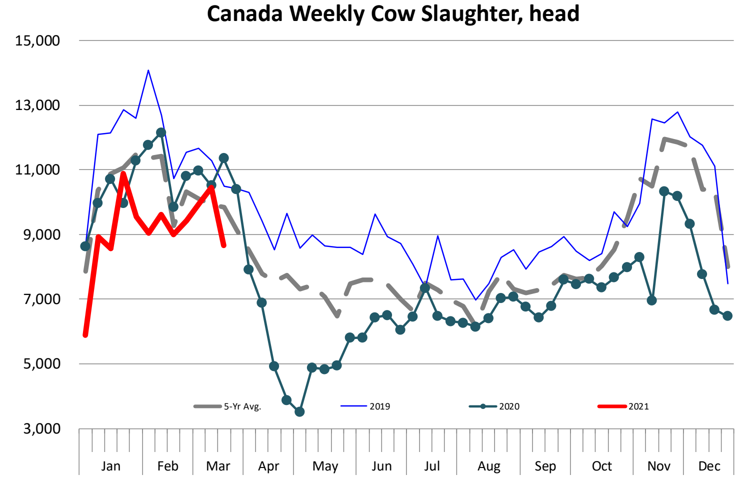
North America Market Update

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



Canada Weekly Cow Slaughter, head



United States: **<u>US beef production for the week ending February 20 was 466 million pounds, some 52 million pounds or 10% smaller than the previous year</u>**. During the four February weeks, beef production was up only 8 million pounds or 0.4% compared to the previous year. However, packers sold beef very aggressively in January for product that was going to be delivered in late February and March. In mid January, beef sales for delivery 22-60 days out were some 55% higher than the same period a year ago. With big sales already on the books, packers were struggling the last two weeks of February to fill orders, and in the meantime production was down as much as 10% from the previous week. The number of choice beef loads traded in the spot market for the week ending February 20 was down 42% compared to the previous year. And despite the higher slaughter last week, it will take some time for packers to normalize the supply chain. The number of choice beef loads trading in the spot market last week was still 21% smaller than the previous year but close to 2019 levels. There are signs, however, that current high prices have started to ration out some demand. This could be temporary as both domestic and export buyers step to the sidelines. Forward domestic beef sales that were flying high in January have now dropped below year ago levels. **<u>US beef export sales during the latest reported week were less than 9,000 MT. In January, weekly sales were as much as 29,000 MT per week</u>**. The slowdown may be temporary as buyers may not have a choice but to step in and buy to cover spring and summer needs. What is unknowable at this time is the level of demand that we will see this spring and how high prices need to be in order to ration out demand. The slowdown in sales could, in the near term, temper beef prices. As we discuss in the 'Cattle on Feed' section, near term cattle supply is ample and higher slaughter in March should help keep the beef market well supplied. The situation will quickly change by late April and May, however, with fewer market ready cattle expected in the pipeline. US beef imports are off to a slow start. Despite expected high US prices, we think strong competition from China and limited Oceania supply should continue to limit US imports.

On February 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 12.106 million head, 178k head or 1.5% higher than the previous year. Analysts polled ahead of the report were expecting the inventory to be up 0.9%. The inventory of cattle on feed continues to be front loaded, with a large number of cattle that have been on feed for more than 120 days. Per our calculations, the +120 day feedlot inventory on February 1 was 4.392 million head, 557k head or 14.5% higher than a year ago. The large supply of long fed cattle continues to impact cash prices, which have been stagnant despite a sharp rally in the cutout. It is also reflected in fed cattle weights, with the latest data showing steer weights up 16 pounds or +1.8% compared to a year ago and heifer weights up 14 pounds or +1.7% compared to last year.

Canada:

Cattle slaughter in Canada has been above year ago levels for much of this year but the pace of growth has slowed down. While cow slaughter remains limited, higher feedlot

North America (continued)

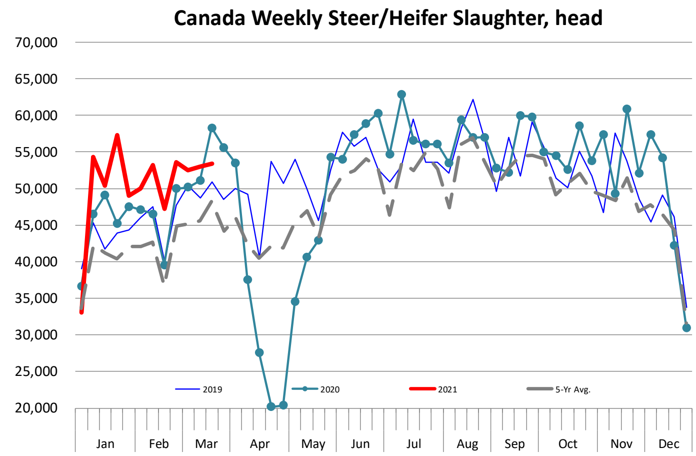
inventories at the start of the year contributed to an increase in fed cattle slaughter. COVID restrictions and robust domestic demand resulted in a higher harvest rate. The situation is slowly changing and we expect slaughter to drift lower in the next three months. During the four weeks ending March 20, Canadian cattle slaughter averaged 59,366 head/wk, 0.6% lower than a year ago. Fed cattle during the reference period averaged 53,135 head/wk., 1.4% higher than a year ago and 15.6% higher than the five year average. Cow slaughter, on the other hand, averaged only 9,626 head/wk, 11.7% less than last year and 4.2% less than the five year average.

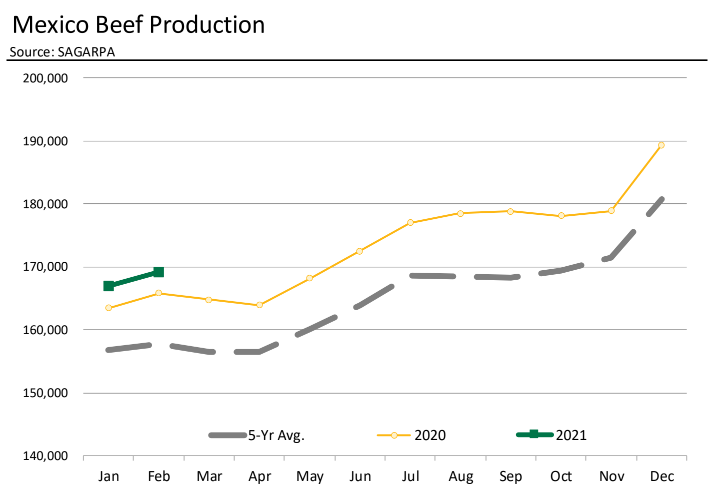
Canadian beef imports are down so far this year. Lower imports from the US have offset the increase in imports from New Zealand. Total imports of beef products through March 27 were 37,188 MT, 12.7% lower than a year ago. Imports from the US during this period were 21,914 MT, 18.3% lower. Imports from New Zealand were 4,710 MT, up almost 35% from a year ago while imports from Australia at 2,117 MT were 5.3% lower than last year. The flow of product from Uruguay remains stable at around 3,500 MT, about the same as last year but imports from other markets, especially Ireland, have declined as much as 25% from a year ago.

Mexico: Mexican beef production in January continued the same trend established in the last few years. Total output for the month was estimated at 166,944 MT (carcass weight basis), 2.1% higher than the previous year. Last year monthly beef production increased at an average pace of 2.6% and in 2019 the y/y increase in monthly beef production averaged about 2.4%. USDA is currently forecasting Mexican beef production for all of 2021 to be 1.9% higher than the previous year. Beef exports are expected to increase once again this year but as exports take a larger share of national production, the pace of export growth is expected to slow down. In 2021, Mexican beef exports are forecast at 365,000 MT or 17% of Mexican beef production. In 2015, exports were 200,000 MT and 10.8% of domestic production. Production in Veracruz, the largest beef producing state in Mexico, was estimated at 20,976 MT, 2% higher than the previous year while production in Jalisco, the second largest producer, was 19,740 MT, 1.9% higher than last year.

US beef imports from Mexico slowed down considerably in the last quarter of 2020 and that trend has continued in early 2021. US imports of fresh/frozen beef from Mexico in December were 12,661 MT, 28% lower than the previous year. In the last quarter of the year, imports declined 26% from the year prior. Through February 20, USDA reports that US imports from Mexico were down 10% compared to the previous year. However, the pace of imports has improved in the last three weeks, as strong US prices have helped offset the impact of the weaker US dollar.

US imports from Central American countries are also down so far this year. Year to date imports from Nicaragua are down almost 5,600 MT or 45% compared to the same period a year ago. So far USDA has not reported any beef imports from Honduras this year compared to 540 MT for this period last year. And, so far, imports from Costa Rica are down 834 MT or 51% compared to a year ago.

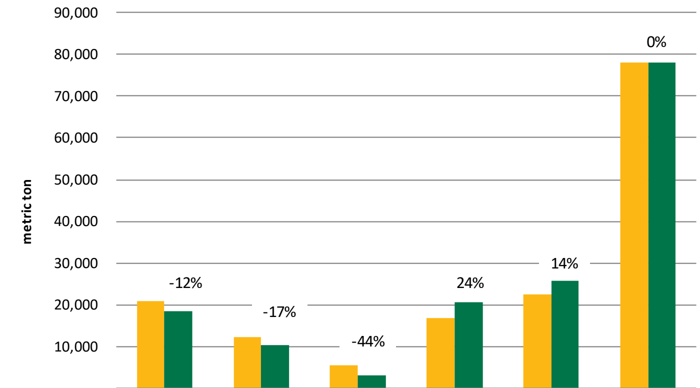




North America Trade Statistics

USA Fresh/Frozen Beef Exports

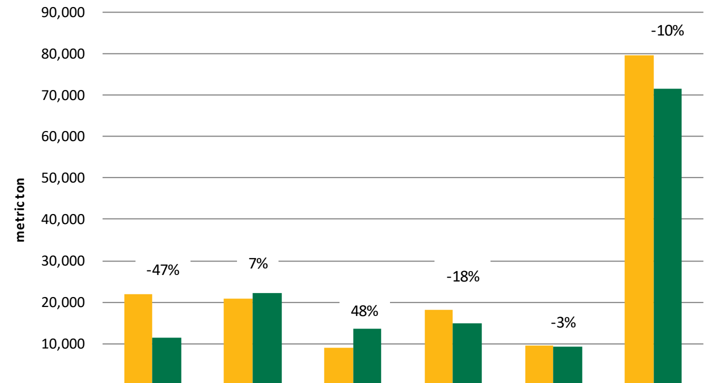
Latest Data for January — Units: Metric Tons



	Japan	Mexico	Hong Kong	Korea, South	Other	World Total
Jan-20	20,778	12,349	5,460	16,755	22,568	77,910
Jan-21	18,368	10,304	3,051	20,732	25,645	78,100
Y/Y Diff.	-12%	-17%	-44%	24%	14%	0%

USA Fresh/Frozen Beef Imports

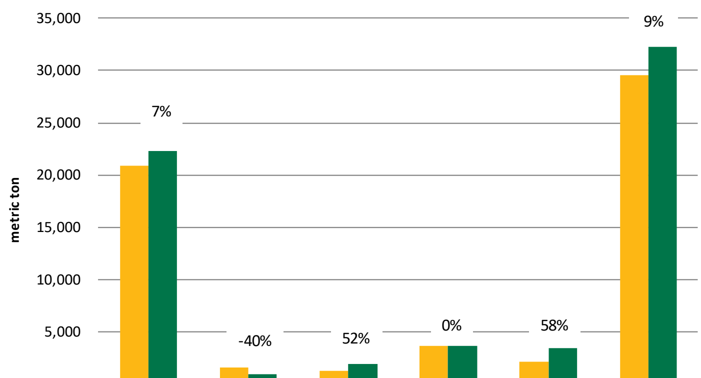
Latest Data for January — Units: Metric Tons



	Australia	Canada	New Zealand	Mexico	Other	World Total
Jan-20	21,831	20,852	9,066	18,274	9,594	79,617
Jan-21	11,502	22,304	13,456	14,937	9,296	71,496
Y/Y Diff.	-47%	7%	48%	-18%	-3%	-10%

Canada Fresh/Frozen Beef Exports

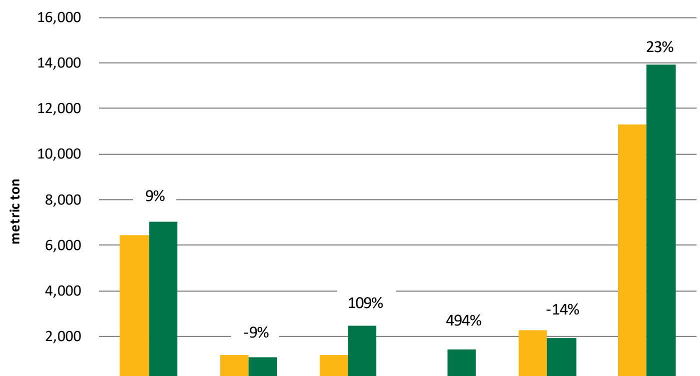
Latest Data for January — Units: Metric Tons



	USA	Hong Kong	Mexico	Japan	Other	Total
Jan-20	20,852	1,560	1,292	3,681	2,146	29,531
Jan-21	22,304	940	1,961	3,665	3,380	32,250
Y/Y Diff.	7%	-40%	52%	0%	58%	9%

Canada Fresh/Frozen Beef Imports

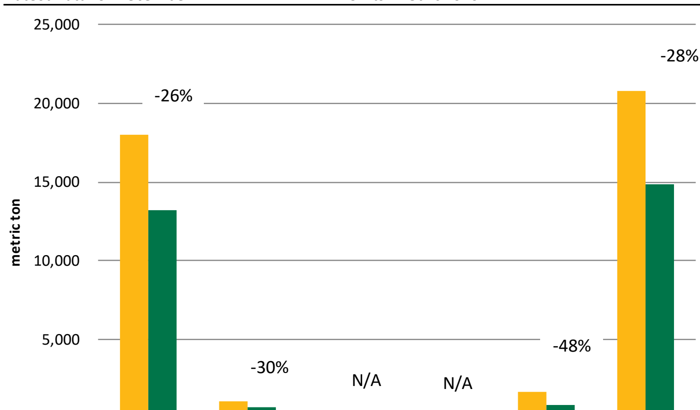
Latest Data for January — Units: Metric Tons



	U.S.A.	Australia	New Zealand	Uruguay	Other	Total
Jan-20	6,440	1,184	1,173	239	2,250	11,286
Jan-21	7,035	1,082	2,446	1,420	1,936	13,919
Y/Y Diff.	7%	-40%	52%	0%	58%	9%

Mexico Fresh/Frozen Beef Exports

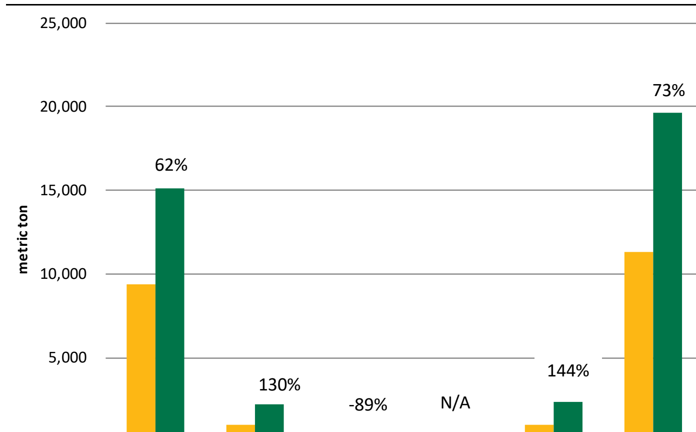
Latest Data for December — Units: Metric Tons



	USA	Japan	Vietnam	Angola	Other	World Total
Dec-19	18,004	1,052	-	-	1,717	20,774
Dec-20	13,248	735	-	-	887	14,870
Y/Y Diff.	-26%	-30%	0%	0%	-48%	-28%

Mexico Fresh/Frozen Beef Imports

Latest Data for December — Units: Metric Tons



	USA	Canada	Australia	New Zealand	Other	World Total
Dec-19	9,356	965	74	-	954	11,348
Dec-20	15,111	2,215	8	-	2,331	19,665
Y/Y Diff.	62%	130%	-89%	0%	144%	73%

South America Market Update

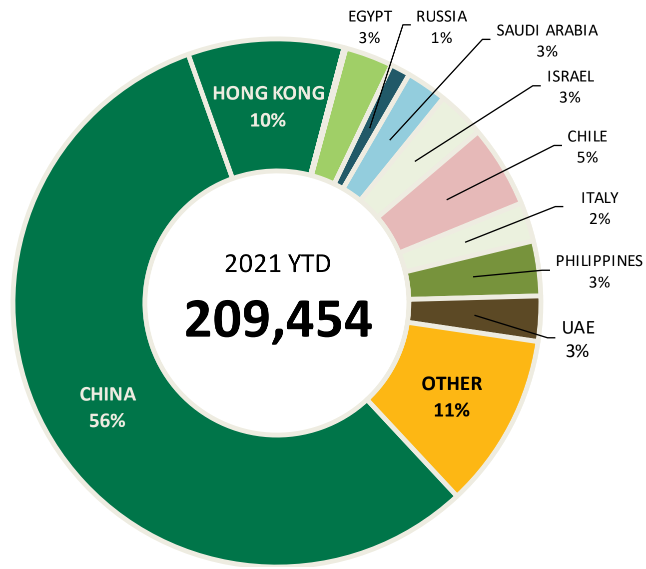
Brazil: Brazilian cattle slaughter has slowed down considerably in the last four months and this has negatively impacted supply availability and prices. Early estimates peg February slaughter 10% lower than the previous year. January slaughter was reported 17% lower than last year. The monthly/quarterly slaughter estimates are partial, they only capture part of the number of cattle processed. For instance, USDA estimated that total cattle slaughter in Brazil for 2020 was 39.865 million head, down 1.9% from the previous year. Slaughter data from IBGE showed a total slaughter of 29.697 million, 8.5% lower than last year. So while the magnitude is always a point of debate, the monthly estimates are useful in understanding direction.

February exports of fresh/frozen beef were 102,127 MT, 8% lower than the previous year. Exports were down to all markets with one big exception - China. Exports to China in February were 56,411 MT, 18,800 MT or 50% higher than a year ago. In the first two months of the year exports to China were up 30% compared to the previous year. Exports to China were quite low in the first quarter of 2020 so that tends to skew the comparison. Brazilian beef exports to China averaged 82,200 MT/month in the second half of 2020 and it will be a challenge to hit that kind of volume again this year. Currently we expect Chinese beef imports to increase in 2021 but that will be difficult to accomplish if beef availability from Brazil continues to decline. Supply in Argentina and Uruguay is also expected to be down. This implies that Chinese buyers will be active in other markets in order to maintain current demand targets.

Argentina: Cattle slaughter rebounded in February but it still remain near annual lows. At 1.039 million head, slaughter was 1.7% higher than a year ago. Last year slaughter moved sharply higher in the fall and winter but current forecasts are for Argentine cattle slaughter to decline 2.8% in 2021. The increase in slaughter, the weak Peso and strong demand in the world market helped keep export numbers at a relatively high level. Total shipments for the month were 44,907 MT, 32% higher than a year ago. Please keep in mind that COVID disruptions caused a sharp decline in exports to China last year. Exports to China this year were 33,415 MT, 71% higher than last year but about 2,500 MT lower than in January. Shipments to the US market remain limited. February exports were 929 MT compared to 889 MT last month and 868 MT a year ago. We expect shipments to the US to range around 1,500-2,000 MT per month given current limited TRQ available in the US. As slaughter will seasonally increase in the next few months, we expect to see an improvement in exports to the US. Israel and Chile are the two other primary markets for Argentine beef. Export to the EU market remain limited and exports to Russia, once a key market, have failed to materialize. In February shipments to Russia were just 228 MT compared to 2,246 MT in February 2020.

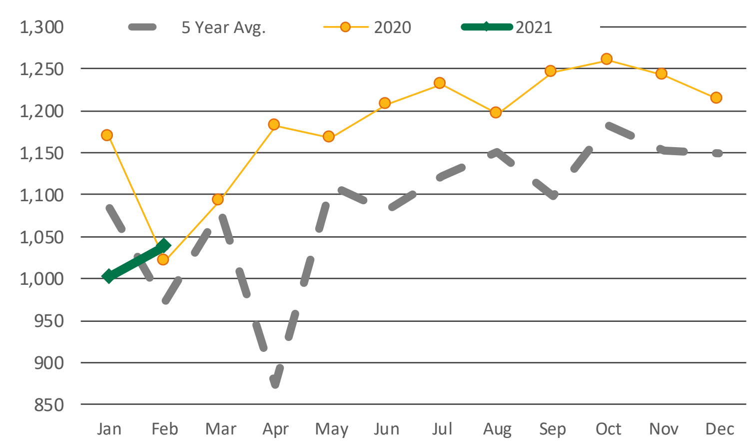
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Feb 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



Uruguay: Strong demand and higher prices in the

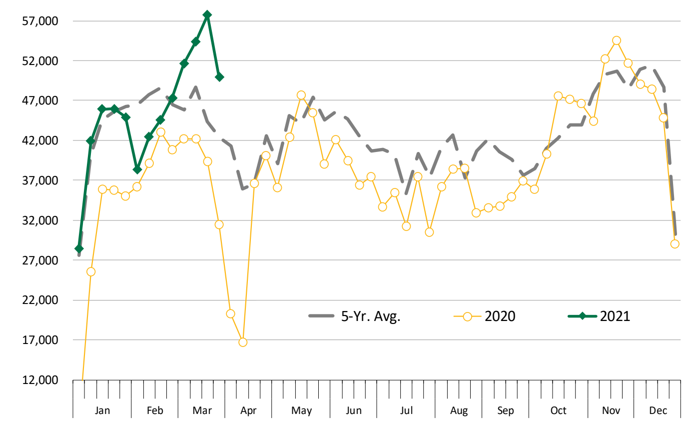
South America (continued)

world market have encouraged Uruguayan packers to ramp up slaughter in recent weeks. In the four weeks ending March 27 total cattle slaughter averaged 53,421 head per week, up 37.7% from a year ago and 17.9% higher than the five year average. Comparisons to the five year average are more meaningful in our view because last year COIVD disruptions resulted in a sharp decline in slaughter. Steer slaughter during the reference period averaged 26,750 head/wk, 22% higher than the five year average while cow slaughter at 19,527 head/week was 4.5% lower than the five year average.

The increase in slaughter during January and February has bolstered Uruguayan exports, with China the primary destination. Total shipments of fresh/frozen beef were 25,938 MT in February, 12% higher than a year ago. Exports to China were 15,965 MT, 50% higher than the COVID reduced export volume in 2020. China accounted for 62% of the export volume in February. In the first two months of the year exports were 52,015 MT, 24% higher than a year ago. Our current forecast is for Uruguayan beef exports to be 7% higher than a year ago in 2021. Given the pace of slaughter in the first quarter, we could see exports continued to increase year/year.

Uruguay Cattle Slaughter, Total

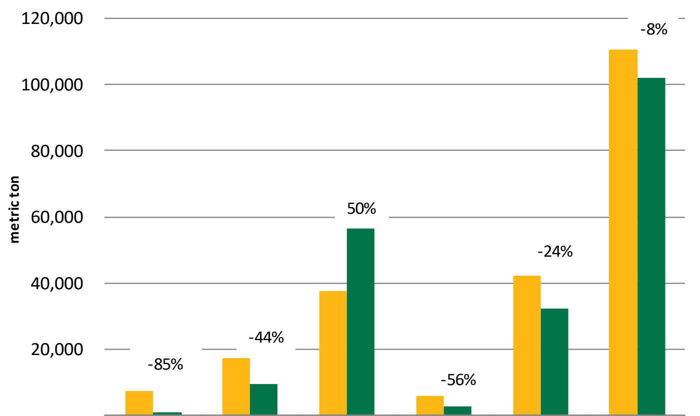
Weekly Slaughter in Head. Source: World Beef Report



South America Trade Statistics

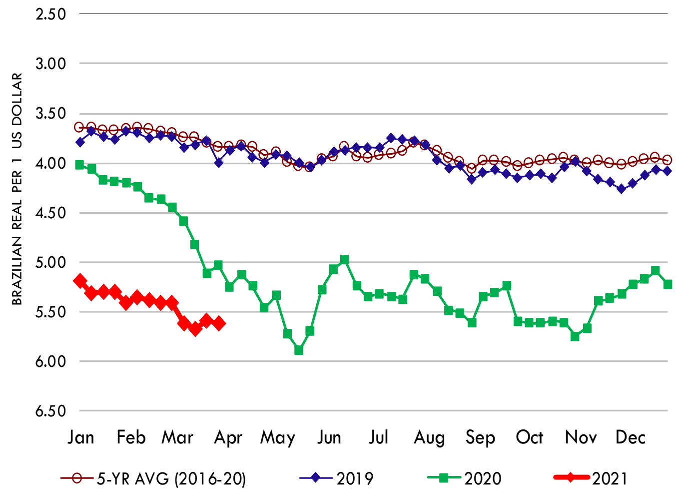
Brazil Fresh/Frozen Beef Exports

Latest Data for February — Units: Metric Tons



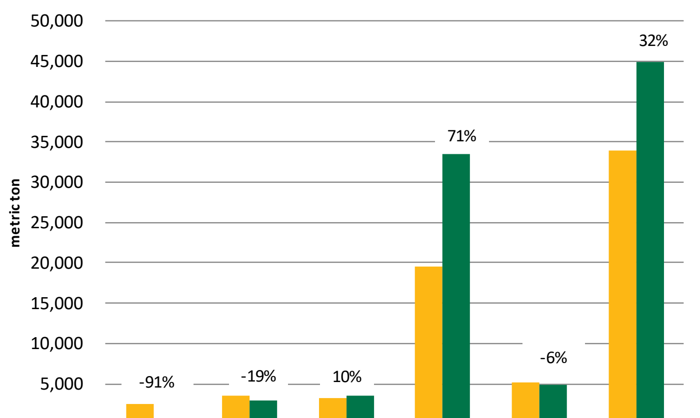
	Russia	Hong Kong	China	Egypt	Other	Total
Feb-20	7,508	17,213	37,611	6,095	42,152	110,580
Feb-21	1,152	9,635	56,411	2,703	32,225	102,127

Brazilian Real Per 1 US Dollar



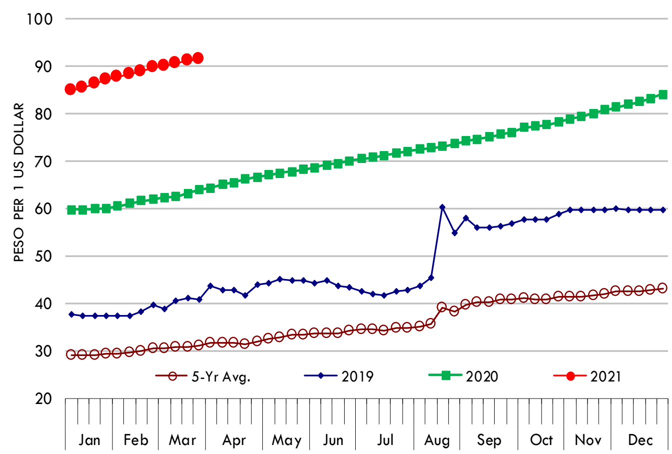
Argentina Fresh/Frozen Beef Exports

Latest Data for February — Units: Metric Tons



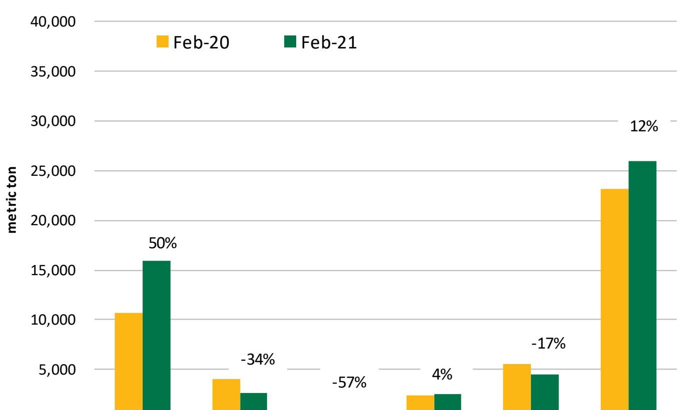
	Russia	Chile	Israel	China	Other	Total
Feb-20	2,446	3,545	3,218	19,561	5,143	33,914
Feb-21	228	2,863	3,541	33,415	4,859	44,907

Argentine Peso Per 1 US Dollar



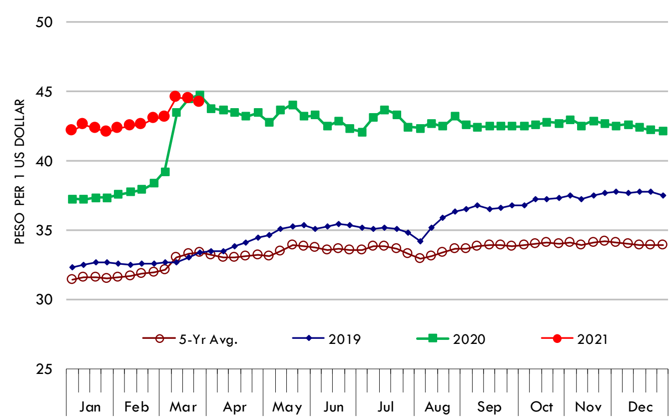
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Feb 2021 — Units: Metric Tons



	China	EU	Russia	US	Other	Total
Feb-20	10,636	4,063	661	2,374	5,499	23,233
Feb-21	15,965	2,674	284	2,468	4,547	25,938

Uruguay Peso Per 1 US Dollar

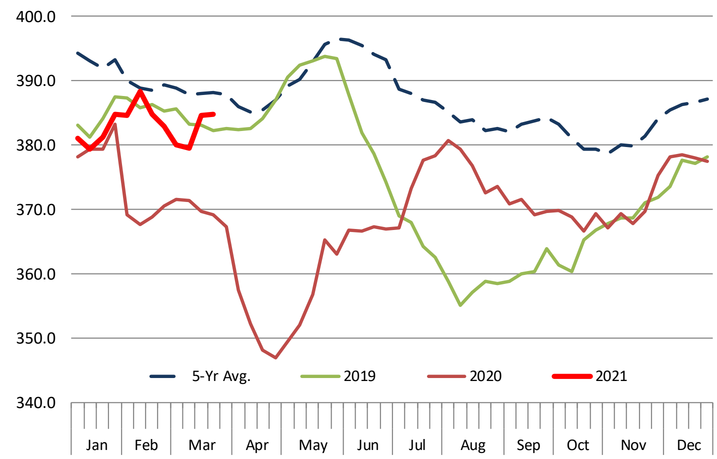


Asia / EU Market Update

European Union: Irish beef supply has been far tighter than a year ago in recent weeks. Part of this has to do with the fact that the y/y comparisons are somewhat skewed by the unusual market conditions experienced a year ago. A backlog of cattle created in 2019 and fear of impending lockdowns resulted in a sharp spike in slaughter during February and March of 2020. Still, current slaughter is also below the levels experienced in 2018 and 2019, suggesting that other factors (more limited supply, higher dairy prices, expectations for a rebound in demand) have contributed to the decline in slaughter. In the four weeks ending March 28, slaughter averaged 32,819 head/wk., 14.4% lower than the previous year. Slaughter numbers were lower across the board but the decline in female slaughter Was especially noticeable. Cow slaughter during the reference period averaged 5,892 head/wk., down 16.7% from a year ago and heifer slaughter at 9,246 head/wk was down 17.9%. In contrast, steer slaughter averaged 12,124 head/wk, 5.8% lower than last year.

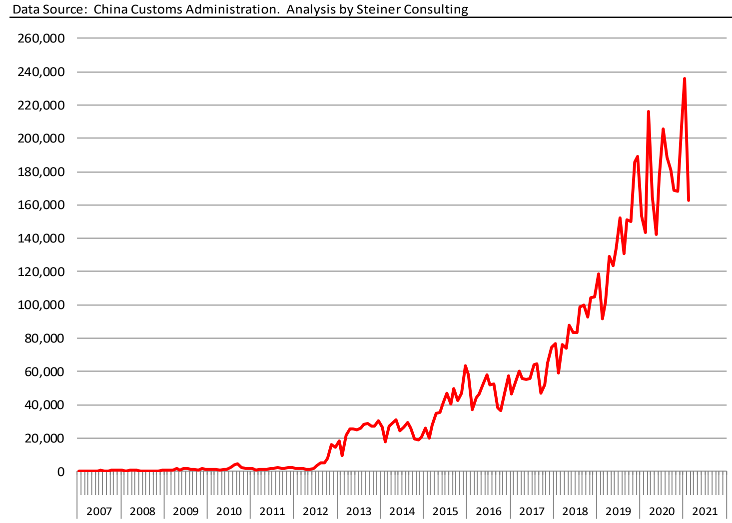
The decline in slaughter appears to have directly affected supply availability for export. January exports of fresh/frozen beef were estimated at 25,931 MT, down from 40,613 MT in December. Exports to Great Britain appear to have been affected the most. While total exports were down 36% compared to December, exports to Great Britain were down 62%. In December, GB accounted for almost 48% of all Irish beef exports but that share declined to 28.6% in January. Shipments to the US in January were 703 MT, higher than the average monthly shipments in the last quarter of 2020. We expect exports to the US in 2021 to be under 10,000 MT.

R3 Steer Price, European Union Avg., Euro per 100kg, dw



Monthly Chinese Imports of Fresh/Frozen Beef. Metric Ton. Shipped Weight Basis

Data Source: China Customs Administration. Analysis by Steiner Consulting



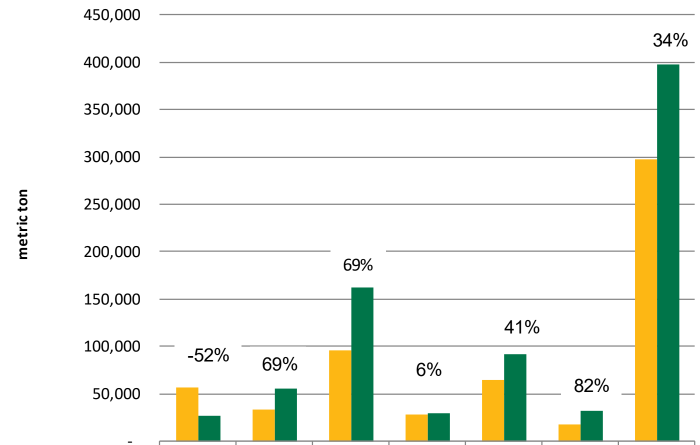
China/Japan/S. Korea: While Chinese beef imports were higher than a year ago in February, they were still the lowest since June of 2020. In part this is seasonal, as the Chinese New Year often results in a significant slowdown in the pace of imports. In February 2019 (last year was impacted by COVID) Chinese beef imports were 91,640 MT compared to 118,321 MT in January of that year and 101,400 in March. This year February imports were 162,555 MT, 13% higher than a year ago. In the first two months of the year, Chinese beef imports were near 400,000 MT, 34% higher than a year ago. Imports continue to skew heavy towards South America, in part due to the price differential but also because Chinese buyers now benefit from the market power they have built over the last few years. Combined imports from Brazil, Argentina and Uruguay in the first two months of the year were 309,128 MT, 78% of imports from all markets. Imports from Brazil during this time were 161,797 MT, 69% higher than a year ago and representing 41% of total imports. Imports from Uruguay during this period were 55,875 MT, 69% higher than last year and imports from Argentina at 91,445 MT were up 40% y/y. Imports from New Zealand were steady vs. last year during this period but imports from Australia at 27,348 MT were down 52%. Imports from Australia are down a little over 30,000 MT from last year and Chinese buyers have tried to offset some of the reduction in high quality beef by securing more US beef. Imports from the US were almost 11,000 MT higher than last year, a six fold increase.

Asia / EU Trade Statistics

Japanese beef supplies were down to start the year, with January slaughter estimated at 78,968 head, 3.6% lower than the previous year. With only one month worth of data, it is too early to start making projections for Japanese beef supplies. The most current USDA forecast pegs Japanese beef production for 2021 at 475k MT (carcass wt.), about the same as the previous year. Wagyu breed slaughter for the month was estimated at 33,811 head, down 2.4% from last year and representing 43% of total slaughter. Total Japanese beef imports in February were 37,331 MT, down 11% from a year ago. Imports in the first two months of the year were down 9%, in part reflecting more limited supplies in Australia but also much higher prices in both Australia and US.

China Fresh/Frozen Beef Imports

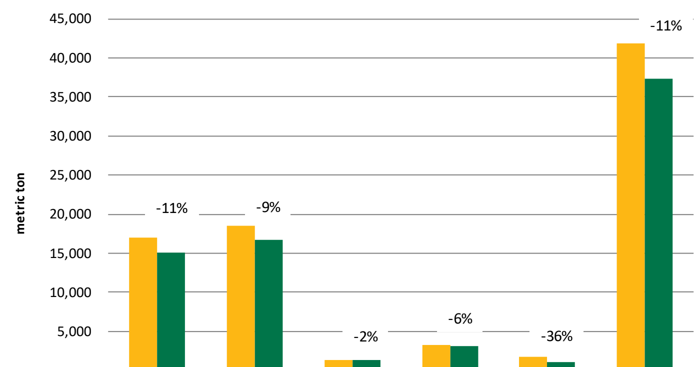
Data for YTD Jan-Feb Units: Metric Tons



	Australia	Uruguay	Brazil	New Zealand	Argentina	Other	Total
2020 YTD Jan - Feb	57,535	33,056	95,745	28,327	64,925	17,421	297,008
2021 YTD Jan - Feb	27,348	55,875	161,797	30,071	91,455	31,686	398,232

Japan Fresh/Frozen Beef Imports

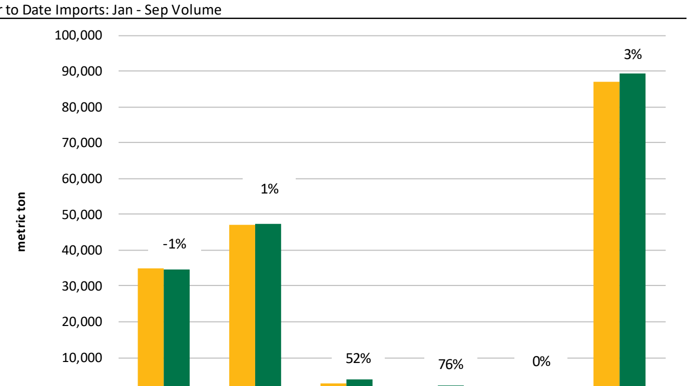
Latest Data for February Units: Metric Tons



	Australia	USA	New Zealand	Canada	Other	Total
Feb-20	17,030	18,468	1,307	3,294	1,766	41,865
Feb-21	15,091	16,722	1,281	3,112	1,125	37,331

South Korea Fresh/Frozen Beef Imports

Year to Date Imports: Jan - Sep Volume



	Australia	USA	New Zealand	Canada	Other	Total
2020 YTD Jan - Feb	35,044	47,050	2,626	1,194	1,223	87,137
2021 YTD Jan - Feb	34,684	47,447	3,997	2,097	1,218	89,443

Oceania Update

New Zealand: New Zealand had a relatively dry February and there was some speculation that this could result in an early start to normal fall cow run. However, conditions were notably better in March and this is reflected in the early slaughter numbers. Total cattle slaughter for the week ending March 3 was estimated at 73,208 head, 1% higher than a year ago. Bull slaughter for the week was up 9% but cow slaughter at 32,341 head was 17% lower than the previous year.

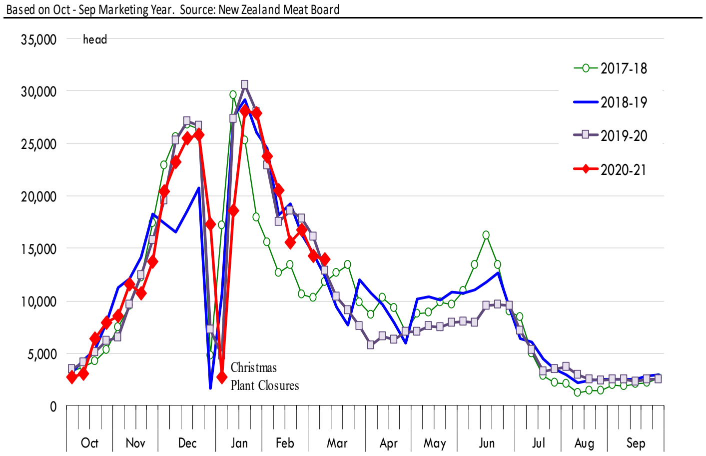
New Zealand slaughter was notably higher in February, in part because the y/y comparison is somewhat skewed by the COVID impact on trade a year ago. Still, the recovery in exports to China was far quicker than many expected. Shipments to the Chinese market in February were near 20,000 MT and accounted for 42% of all beef exports. Shipments to the US market were 16,299 MT, down 17% from last year.

Australia: Cattle slaughter has been well under a year ago for much of the last three months and the situation only got worse the last two weeks. Flooding in parts of Queensland and NSW significantly affected the movement of livestock in feedlots and processing plants. Parts of NSW received as much as 700mm of rainfall in a three day period. For the week ending March 26, total cattle slaughter in Australia was 93,964 head, down 5% from the previous week and 33% lower than a year ago. Weekly slaughter in NSW declined 17% from the previous week and it was 33% lower than a year ago. Cattle prices further escalated as feedlot operators and processing plants struggled to find cattle. The most recent value of the EYCI was 2% higher than four weeks prior and 24% higher than last year.

The decline in slaughter has limited Australian beef exports so far this year. Shipments to the US market in February were 9,780 MT, down 49.8% compared to the previous year and the lowest February exports in more than a decade. We currently think exports in March will be around 12,000 MT, 30% lower than a year ago. Exports to Japan in February were 17,878 MT, 25% lower than a year ago. In the first two months of the year exports to Japan have averaged 28% lower than a year ago. We are projecting March exports to this market at 19,700 MT, 26% lower than a year ago. Exports to S. Korea have also declined but far less than those to other markets. In February shipments to S. Korea were 12,110

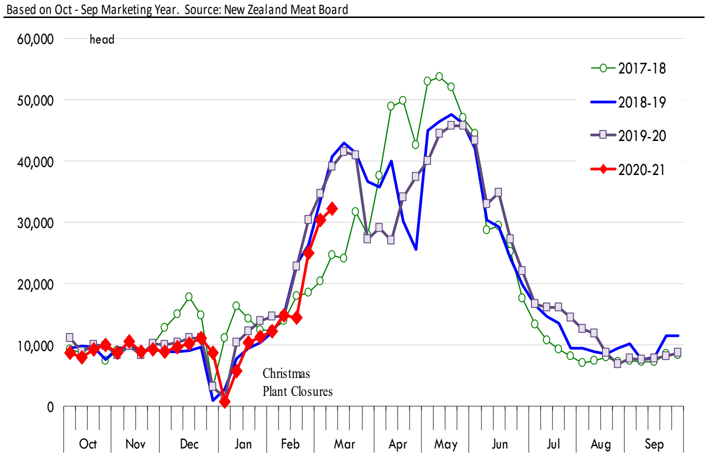
New Zealand Weekly Bull Slaughter

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



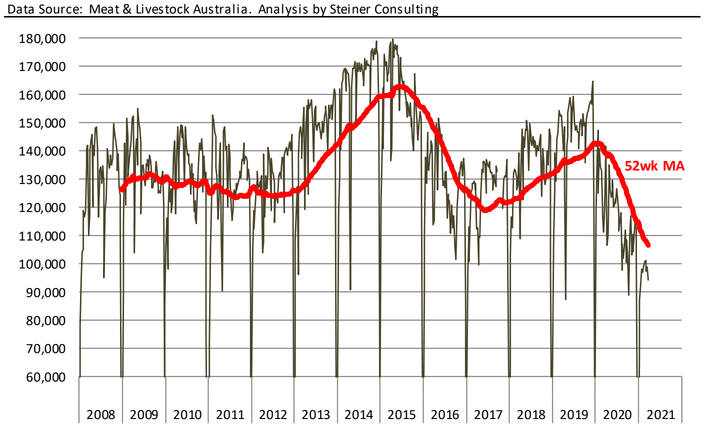
New Zealand Weekly Cow Slaughter

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



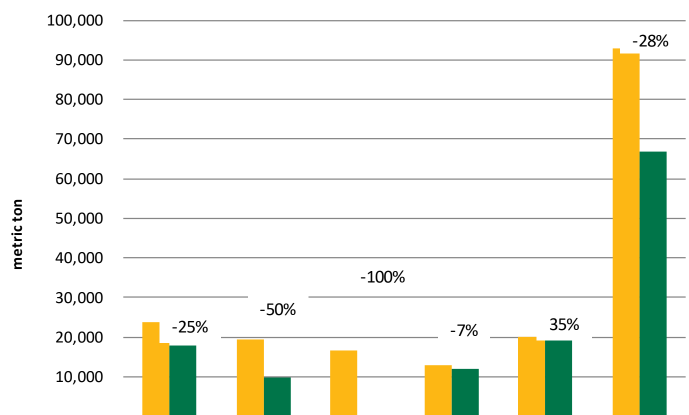
MT, 6.5% lower than a year ago but well above what went to the US market. We think in March exports to S. Korea were a little over 15,000 MT, 15% higher than a

Oceania Statistics

year ago. Exports to China were 11,676 MT in February and we think in March they will be a little over 14,000 MT. Exports to China continue to be limited by the delisting of key plants but strong demand in that market has allowed other processors to maximize shipments to that market.

Australia Fresh/Frozen Beef Exports

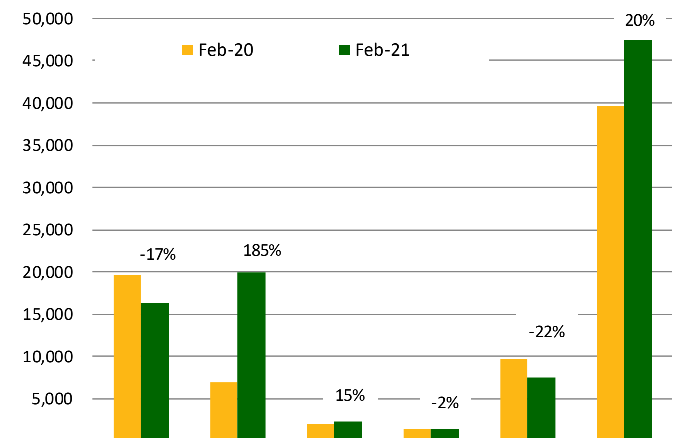
Latest Data for February — Units: Metric Tons



	Japan	USA	China	Korea, South	Other	Total
Feb-20	23,714	19,485	16,732	12,957	20,081	92,968
Feb-21	17,878	9,780	-	12,110	27,050	66,818
Y/Y Diff.	(5,836)	(9,705)	(16,732)	(847)	6,969	(26,150)

New Zealand Fresh/Frozen Beef Exports in February

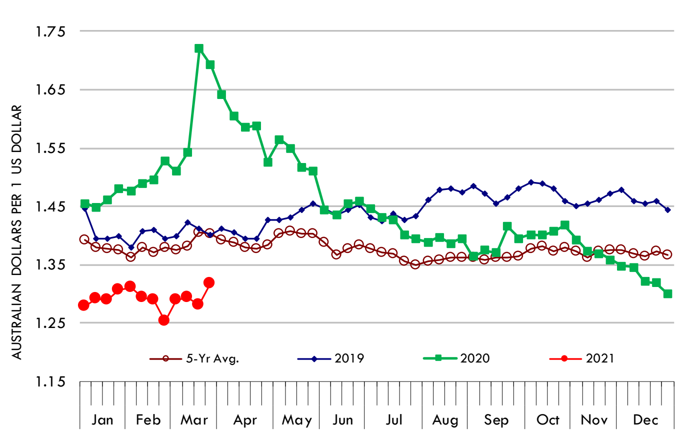
Source: Statistics NZ — Units: Metric Tons



	US	China	Japan	South Korea	Other	Total
Feb-20	19,600	6,983	1,963	1,469	9,647	39,662
Feb-21	16,299	19,918	2,262	1,443	7,545	47,467
Y/Y Diff.	(3,301)	12,935	300	(26)	(2,102)	7,805

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