MEAT & LIVESTOCK AUSTRALIA

Global Beef Market Monthly Review

June 2021

June 30, 2021 Volume 3, Issue 6 Prepared by: Steiner Consulting Group, 800-526-4612

Inside this issue:

Highlights:

- Argentina has decided to lift the ban on exports but shipments will continue to be constrained until at least August. Beef exports cannot exceed 50% of last year's volume and the export ban will continue for a number of cuts.
- US wholesale beef prices have started to pull back, largely due to lower prices for high value steak cuts. Ground beef prices and prices for lean beef continue to track well above year ago.
- New Zealand cattle slaughter in the last four weeks has been 9% above last year. While this has helped bolster offerings to the US market in the very near term, slaughter will be seasonally lower in July and August.
- Feed costs are up across the world due to strong Chinese demand and smaller crop harvests in China as well as North and South America.
- Chinese beef imports were down by more than 30% in May compared to April but imports were still 17% higher than a year ago. Through the first five months of the year Chinese beef imports were up 18% from 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							4,794,050	4,706,120	-87,930	-2%
Australia	19%	0%	May 2021	76,499	-22,066	-22%	1,039,410	883,498	-155,911	-15%
Argentina	2%	0%	Apr 2021	50,015	3,499	8%	617,584	580,529	-37,055	-6%
New Zealand	7%	0%	May 2021	45,710	-2,989	-6%	472,804	479,896	7,092	1%
Brazil	18%	1%	May 2021	126,763	-28,373	-18%	1,725,214	1,785,597	60,382	3%
USA	11%		Mar 2021	95,250	10,429	12%	939,038	976,599	37,562	4%
IMPORTS							4,407,783	4,471,652	63,869	1%
USA		20%	Mar 2021	87,990	-9,381	-10%	1,069,777	984,195	-85,582	-8%
China	0%	9%	May 2021	167,008	24,589	17%	2,117,895	2,287,327	169,432	8%
Hong Kong			May 2021	20,446	-6,962	-25%	363,847	365,666	1,819	0%
Japan	0%	9%	May 2021	49,667	-369	-1%	600,394	591,388	-9,006	-2%
Russia	0%	8%	Apr 2021	19,239	-3,843	-17%	255,870	243,077	-12,794	-5%

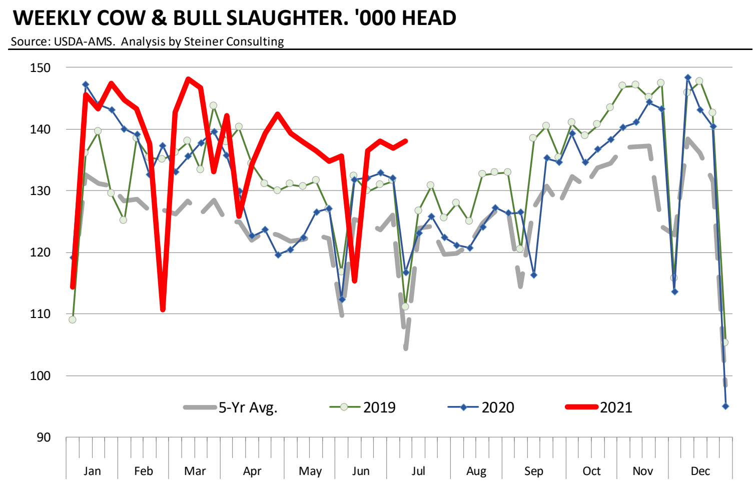
*** Product wt. basis. Projections for 2019 made by Steiner Consulting.

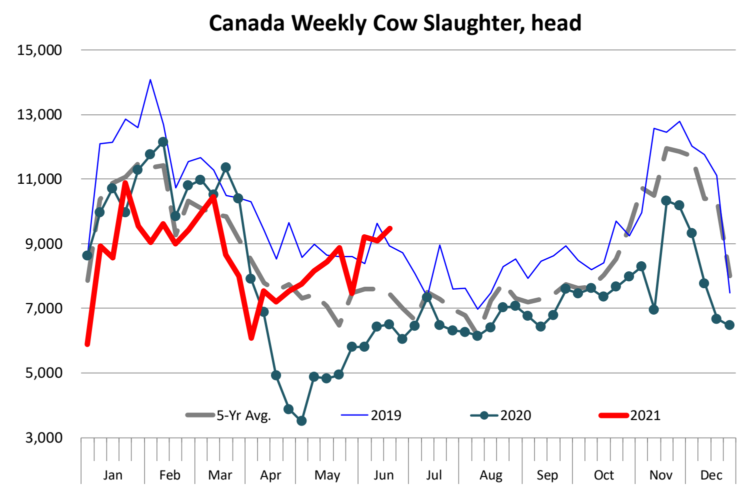
North America Market Update

United States: Total US cattle slaughter in May was 2.698 million head, 18.5% higher than the COVID disrupted slaughter a year ago. Comparisons to 2019 are normally more appropriate but they are skewed by the fact that there were two fewer slaughter days in May 2021 vs. May 2019. When adjusting for the marketing day discrepancy, slaughter in May was 1% higher than in 2019. Adjusted daily slaughter may have been higher than in May 2019 but there was a significant differences in terms of steer and heifer slaughter. Average daily steer slaughter in May was 66,735 head, 3.6% lower than in 2019 while daily heifer slaughter at 37,640 head/day was 3.2% higher than in 2019. Cow slaughter in May continued to reflect the impact of drought pressures and the deterioration in the profitability outlook for cow-calf operators. Total cow slaughter in May was 510,700 head, down 2.9% from May 2019. When adjusted for the difference in marketing day slaughter was 6.8% higher than in 2019, however. Heavier fed cattle carcass weights helped bolster beef production in May. Total commercial beef production for the month was pegged at 2.211 billion pounds, 18.5% higher than last year but 5% higher than in 2019. When we adjust for the difference in marketing days, beef production in May was 4.5% higher than in 2019.

The inventory of cattle on feed as of June 1 was estimated at 11.699 million head, 0.2% higher than a year ago and below pre-report estimated that were looking for a 0.6% increase in feedlot inventories. Feedlots placed 6.9% fewer cattle on feed in May than a year ago. Supply of cattle that has been on feed for 120 days or more was estimated at 4.518 million head, 12.6% lower than the COVID inflated numbers a year ago but still as much as 292k head or 6.9% higher than the five year average. A robust marketing pace in May and June has helped feedlots become increasingly more current. Still, tight labor supplies and strong competition for processing services continues to drive a wide spread between cattle prices and wholesale beef values.

The supply of meat protein in cold storage in the US remains limited, which has helped prop up meat prices so far this spring and early summer. At the end of May, the combined supply of beef, pork, chicken and turkey in cold storage was 1.999 billion pounds, 7.6% lower than a year ago and 14.4% lower than the five year average. The supply of boneless beef in cold storage was estimated at 382.4 million pounds, 2% lower than last year and 4% lower than the five year average. In the last five years boneless beef inventories declined an average of 6.5% from the previous month. This year the drawdown was 7.6%



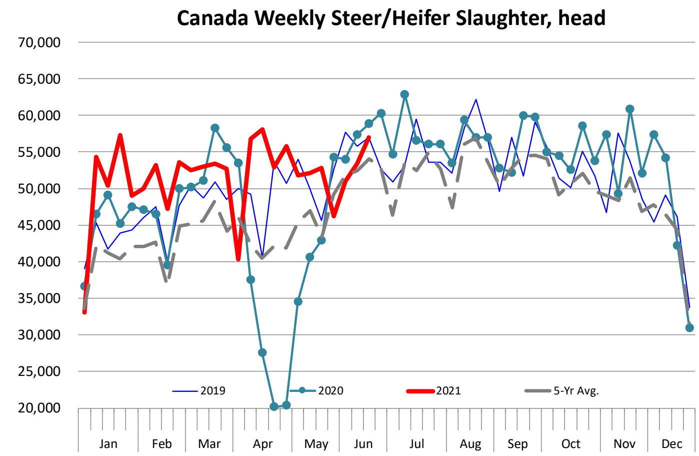


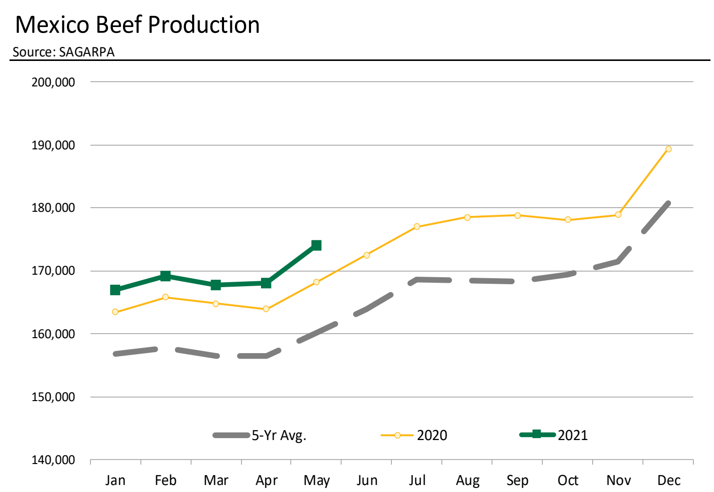
Canada: Cow slaughter reversed course in the last few weeks and has been trending higher. As we noted in this report a few weeks ago, parts of Saskatchewan are currently under extreme drought conditions, likely forcing some producers to liquidate. Cow slaughter for the week ending June 19 was near 9,500 head, the highest weekly slaughter for this time of year in more than a decade. High grinding beef prices have also encouraged producers to sell. Canfax reports that butcher cow prices are currently at the highest point in over five years. As producers look to turn calves into summer pastures, there is some expectation that we could see a few more cull cows

North America (continued)

become available.

The supply of cattle on feed in Alberta and Saskatchewan feedlots as of June 1 was estimated at 1.023 million head, 6% lower than a year ago but still 4% higher than the five year average. Feedlots placed 103,062 head of cattle on feed during May, 19% more than last year and 5% more than the five year average. Fed cattle marketings in May were 122,871 head, 26% higher than the COVID affected slaughter last year and 3% higher than the five year average. More Canadian cattle are staying in Canada rather than move to the US for processing, which has helped bolster domestic slaughter. Last year plants had to contend with a backup of fed cattle created by COVID disruptions so comparisons are skewed. Fed slaughter in the four weeks ending June 19 was about the same as the five year average.





Mexico: Mexican beef production in May was estimated at 174,040 MT, 3.5% higher than a year ago. This was the fastest growth rate in production this year. Beef production was higher even as output in major producing states did not register a significant increase. Veracruz is the top beef producing state in Mexico, accounting for 14% of national production. In May Veracruz beef production was estimated at 21,895 MT, just 0.6% higher then a year ago. Beef production in Jalisco, the second largest beef producer, was 20,319 MT, up 2.1% from a year ago.

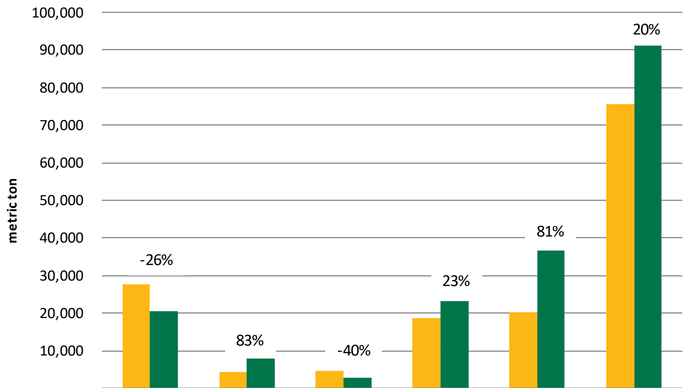
Mexican March beef exports were 25,691 MT, up 7% vs. a year ago. Exports to the US were 22,117 MT, up 7% from last year and accounting for 86% of total exports. Mexican beef exports to Japan, the second largest market, were 1,811 MT, up 9%. Despite the increase in Mexican beef production, US beef imports from Mexico have been running below last year's levels. Strong demand in the world market and improved domestic demand has limited the amount of Mexican beef coming to the US. It should also be noted that we are comparing to last year's high watermark. In the four weeks ending June 19, US beef imports from Mexico were 23,143 MT, down 3,786 MT or 14% compared to a year ago.

US beef imports from Central American suppliers continue to track under year ago levels even as lean beef prices have increased sharply in recent weeks. In the four weeks ending June 19, US beef imports from Nicaragua were a total of 5,544 MT, down near 1,900 MT or 25% compared to a year ago. Imports from Honduras have been nonexistent compared to about 231 MT last year while imports from Costa Rica were 818 MT, just 4% higher than last year.

North America Trade Statistics

USA Fresh/Frozen Beef Exports

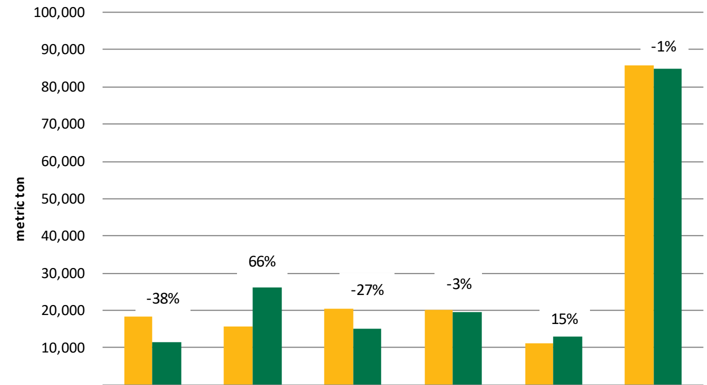
Latest Data for April Units: Metric Tons



	Japan	Mexico	Hong Kong	Korea, South	Other	World Total
Apr-20	27,676	4,383	4,669	18,680	20,312	75,720
Apr-21	20,432	8,027	2,786	23,063	36,757	91,065
Y/Y Diff.	-26%	83%	-40%	23%	81%	20%

USA Fresh/Frozen Beef Imports

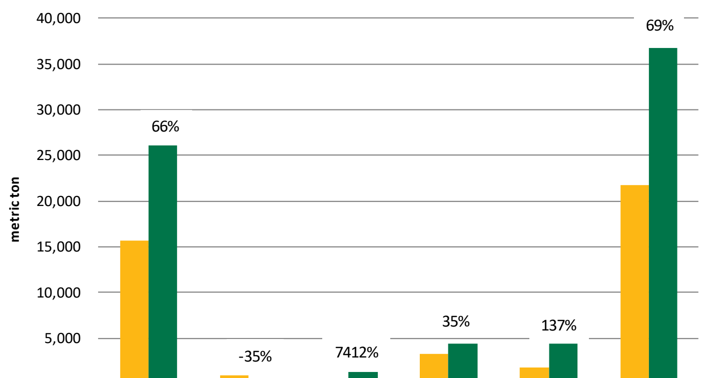
Latest Data for April Units: Metric Tons



	Australia	Canada	New Zealand	Mexico	Other	World Total
Apr-20	18,317	15,734	20,416	20,113	11,204	85,784
Apr-21	11,371	26,137	14,949	19,468	12,889	84,813
Y/Y Diff.	-38%	66%	-27%	-3%	15%	-1%

Canada Fresh/Frozen Beef Exports

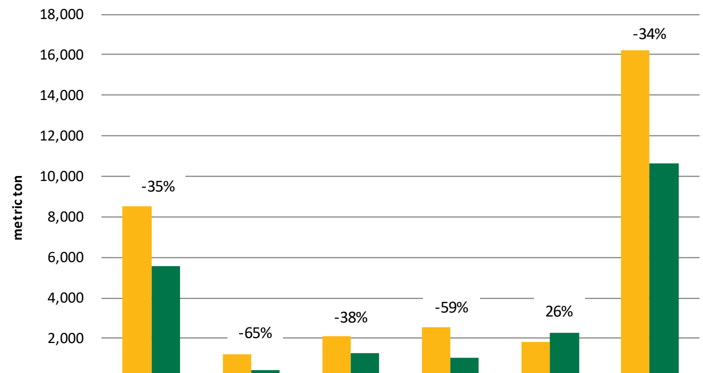
Latest Data for April Units: Metric Tons



	USA	Hong Kong	Mexico	Japan	Other	Total
Apr-20	15,735	882	17	3,259	1,836	21,729
Apr-21	26,136	572	1,277	4,390	4,354	36,729
Y/Y Diff.	66%	-35%	7412%	35%	137%	69%

Canada Fresh/Frozen Beef Imports

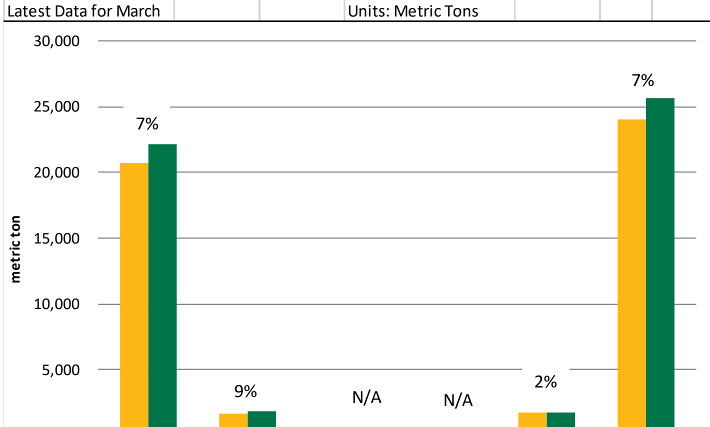
Latest Data for April Units: Metric Tons



	U.S.A.	Australia	New Zealand	Uruguay	Other	Total
Apr-20	8,542	1,213	2,092	2,551	1,818	16,216
Apr-21	5,565	421	1,301	1,042	2,296	10,625
Y/Y Diff.	66%	-35%	7412%	35%	137%	69%

Mexico Fresh/Frozen Beef Exports

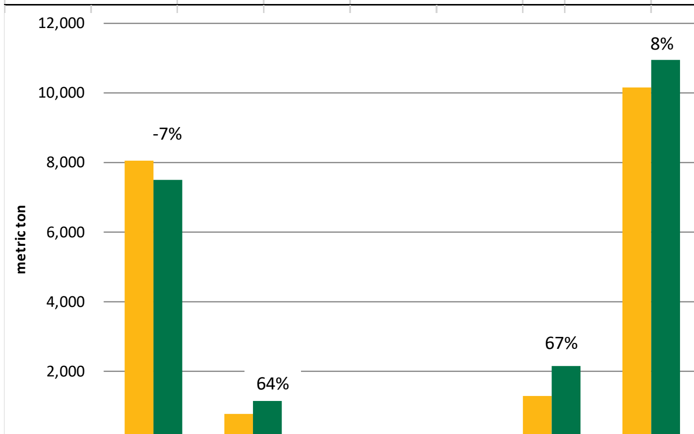
Latest Data for March Units: Metric Tons



	USA	Japan	Vietnam	Angola	Other	World Total
Mar-20	20,668	1,664	-	-	1,726	24,058
Mar-21	22,117	1,811	-	-	1,764	25,691
Y/Y Diff.	7%	9%	0%	0%	2%	7%

Mexico Fresh/Frozen Beef Imports

Latest Data for March Units: Metric Tons



	USA	Canada	Australia	New Zealand	Other	World Total
Mar-20	8,063	782	4	-	1,294	10,143
Mar-21	7,507	1,282	1	-	2,158	10,949
Y/Y Diff.	-7%	64%			67%	8%

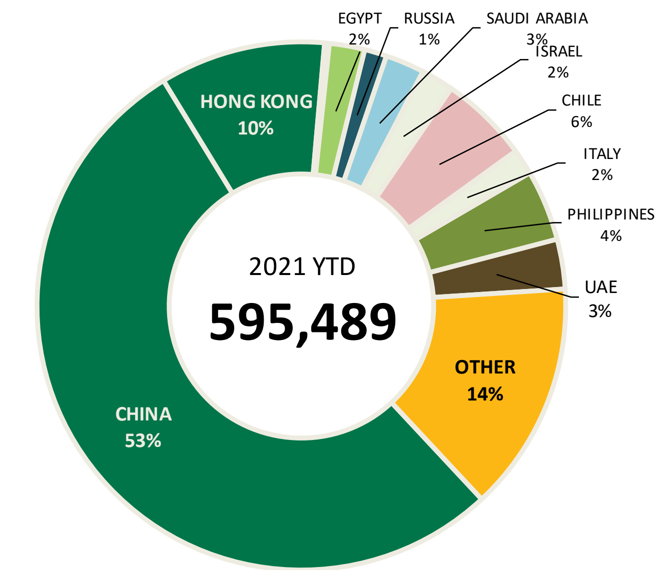
South America Market Update

Brazil: Brazilian cattle slaughter was seasonally higher in May but it remained well below last year's pace. Initial estimates put slaughter for the month at 1.810 million head, down 8% from the previous year. In the first five months of the year, slaughter has been estimated down 8% y/y as well. Domestic price inflation has created significant demand issues in local markets, and reports note that plants that don't have export access have had to significantly cut back. Market participants also note that Brazil overkilled last year and the year before as it sought to aggressively grab market share in China. Cattle supplies are tight, resulting in significant cattle price inflation. Cattle prices in Brazil for the last week of June were up 47% from a year ago in Brazilian currency terms. The stronger Brazilian Real means cattle prices are up 64% y/y.

Exports of fresh/frozen beef in May were 126,763 MT, modestly higher than the previous month but as much as 18% lower than a year ago. Comparisons to 2020 are skewed by the COVID wave impact on trade but the decline in slaughter has been clearly a factor as well. China remains the top market for Brazilian beef, taking 67,284 MT in May, accounting for 53% of total shipments while exports to Hong Kong at 12,017 MT were 47% lower than last year. Robust prices for imported beef in the US proved to be a strong incentive and shipments to the US market for the month were 5,559 MT, a 50% increase from the previous month and the highest monthly export volume since resumption of shipments.

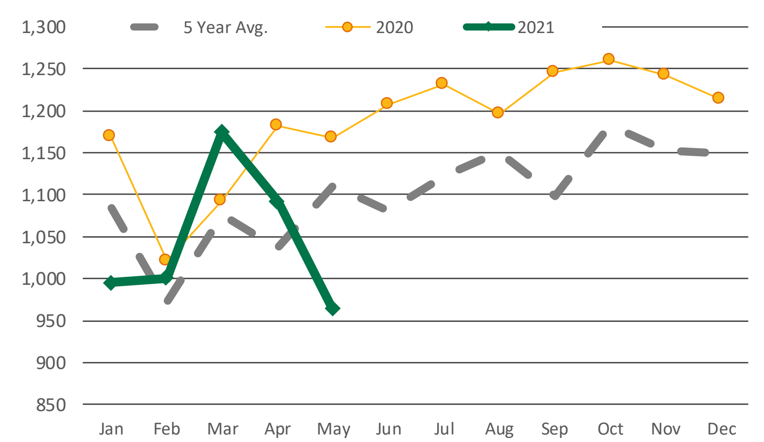
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - May 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



Argentina: The Argentine government recently announced measures that will limit beef exports through the end of this year. According to reports, the new policy will cap monthly exports to 50% of the monthly average volume for 2020. The limit will stay in play until the end of August and be reviewed at that time. The new policy also maintains the suspension of exports for certain cuts, which include popular products in the domestic market. Included in the ban are carcasses and half carcasses, likely done to prevent market participants from circumventing the ban on exports of specific cuts. The new rules allow exporters to fill the current quota for exports to EU and the US, which should not be an issue given that the quotas in question are a relatively small portion of the export picture.

Export data for May has not been published but we suspect the volume will be greatly be impacted by the suspension, which went into effect on May 18. Uncertainty about exports and the negative impact on cattle prices affected the number of cattle that were sent to market in May. Total cattle slaughter for the month was estimated at 964k head, the lowest so far this year and 17.4% lower than a year ago. Steer slaughter was estimated at 422k head in May, down 17% from just two months ago. Cow slaughter, at 183k head, was 14.4% lower than two months ago.

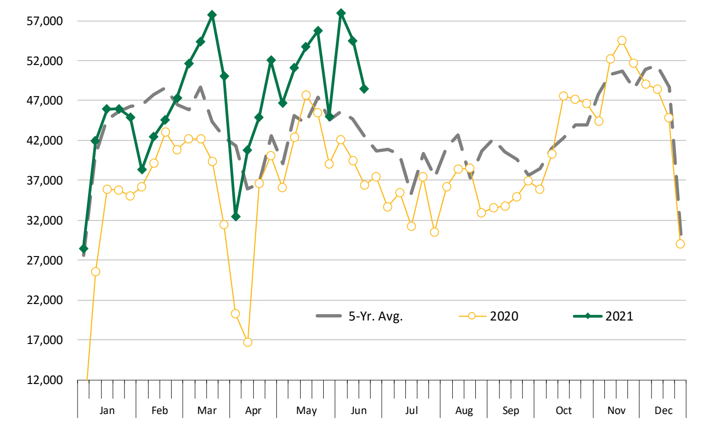
South America (continued)

Uruguay: Chinese buyers were looking for product in the second half of May and this meant strong demand and higher prices for Uruguayan product. Total cattle slaughter in the four weeks ending June 19 averaged 51,475 head/week, 31% higher than a year ago and 16% higher than the five year average. Steer slaughter during this period averaged 25,548 head/week, up 32% from last year and 16% higher than the five year average. Cow slaughter has not increased as much, averaging 18,879 head/wk, 39% higher than the extremely low levels of last year but still about 2% lower than the five year average.

The increase in slaughter has helped bolster exports. May shipments of fresh/frozen beef were 31,961 MT, 7,114 MT or 29% higher than a year ago. Exports to China in May were 19,418 MT, 41% higher than a year ago. The increase in exports to China accounted for about 80% of the overall in Uruguayan beef exports in May. Exports to the US in May were 4,474 MT or 21% lower than last year despite very strong pricing. In the first five months, Uruguay has shipped 16,633 MT of beef to the US, 5% less than a year ago.

Uruguay Cattle Slaughter, Total

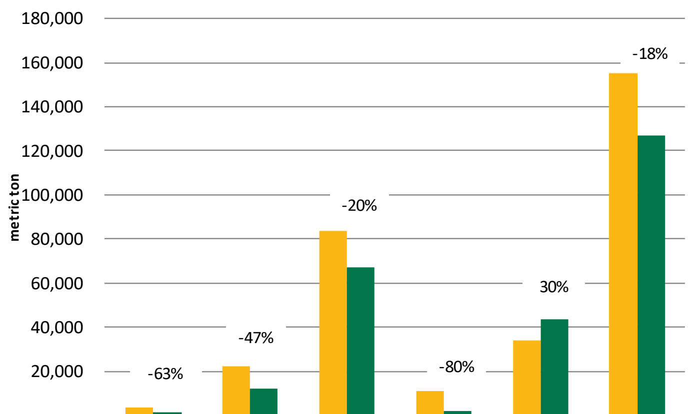
Weekly Slaughter in Head. Source: World Beef Report



South America Trade Statistics

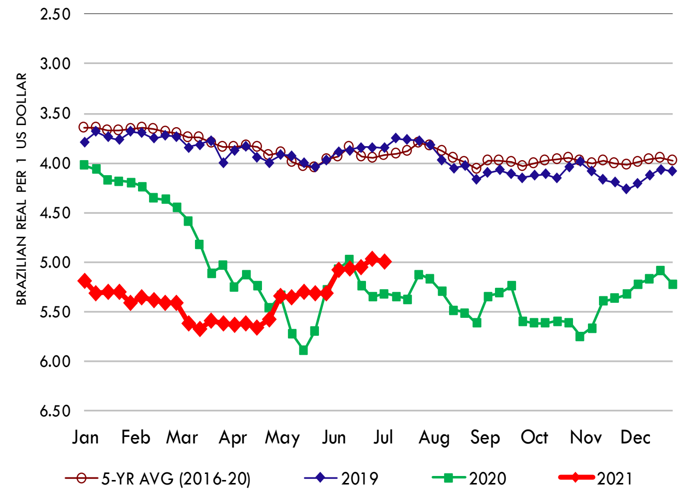
Brazil Fresh/Frozen Beef Exports

Latest Data for May — Units: Metric Tons



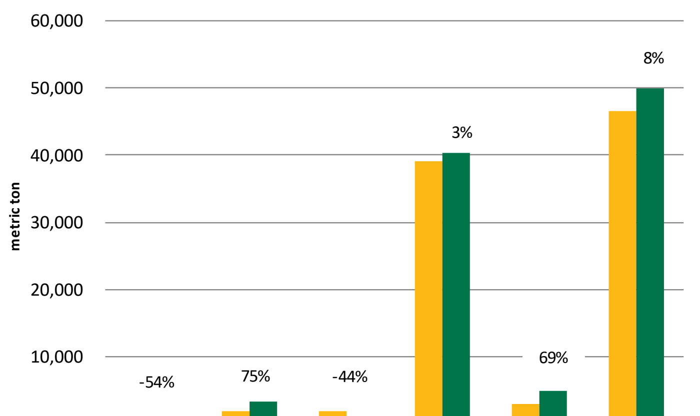
	Russia	Hong Kong	China	Egypt	Other	Total
May-20	3,771	22,579	83,942	10,932	33,911	155,136
May-21	1,404	12,017	67,284	2,137	43,920	126,763

Brazilian Real Per 1 US Dollar



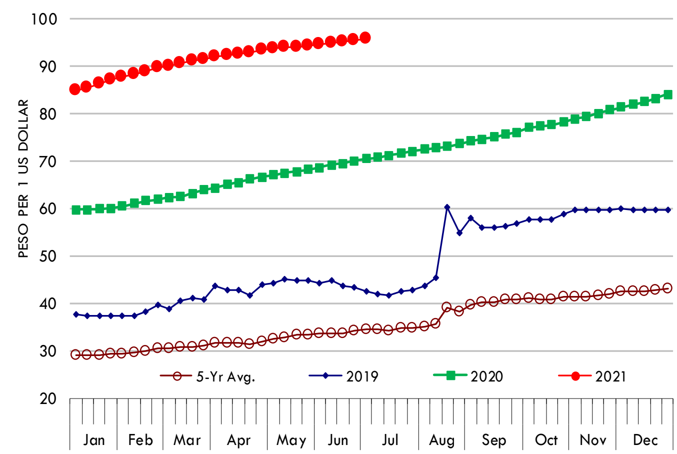
Argentina Fresh/Frozen Beef Exports

Latest Data for April — Units: Metric Tons



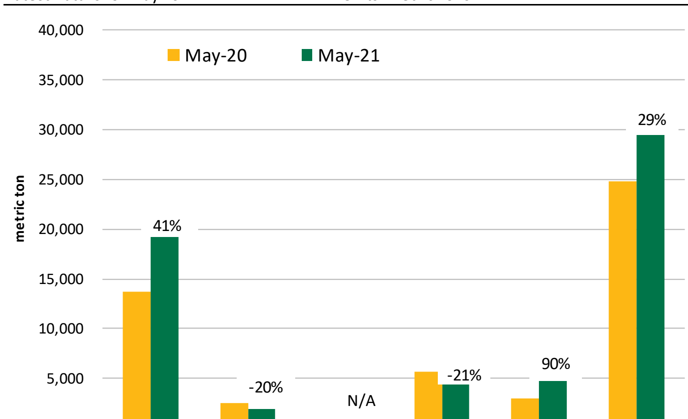
	Russia	Chile	Israel	China	Other	Total
Apr-20	568	1,887	1,997	39,093	2,970	46,516
Apr-21	262	3,307	1,120	40,306	5,020	50,015

Argentine Peso Per 1 US Dollar



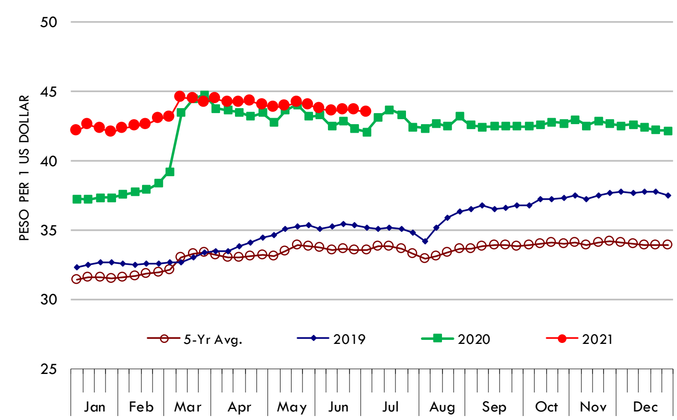
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for May 2021 — Units: Metric Tons

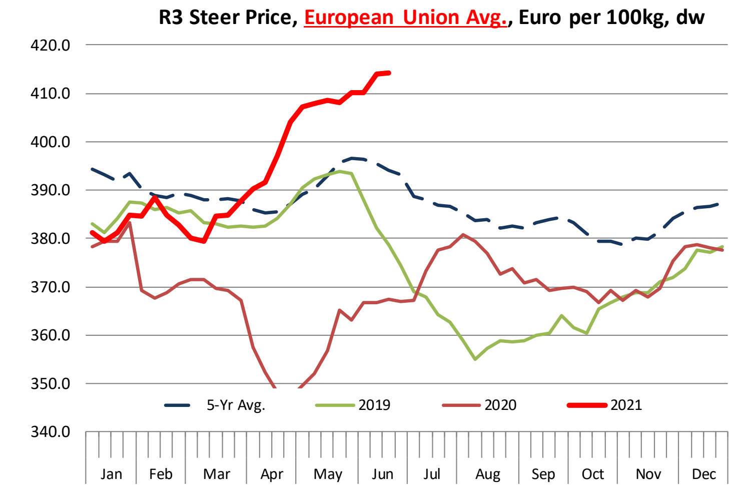


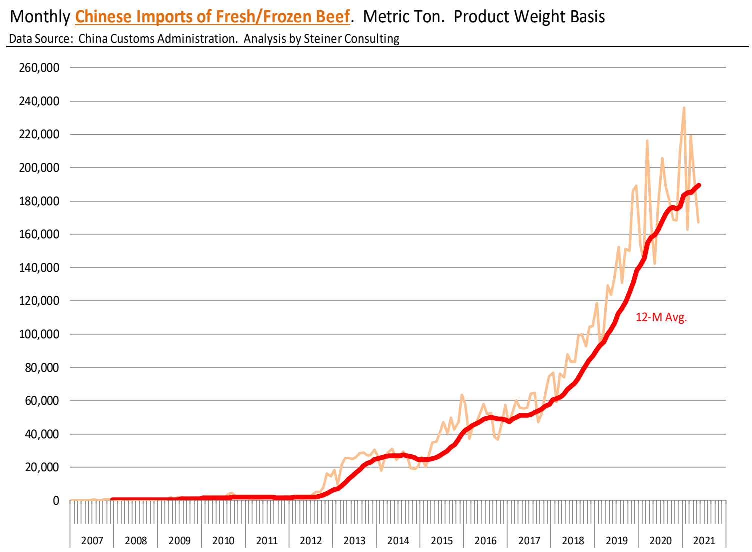
	China	EU	Russia	US	Other	Total
May-20	13,750	2,484	-	5,669	2,944	24,847
May-21	19,418	1,984	484	4,474	5,601	31,961

Uruguay Peso Per 1 US Dollar



Asia / EU Market Update





European Union: Irish cattle slaughter continues to run well below the levels achieved the last three years. Cattle slaughter in the four weeks ending June 27 averaged 29,954 head per week, 15.8% lower than the COVID impacted slaughter a year ago as well as below slaughter levels in 2018 and 2019. Slaughter has been limited for much of this year, reducing overall beef availability. This is due in part to challenges in export markets, especially trade with GB, the top market for Irish beef. Cattle slaughter since the start of the year has been a total of 799,455 head, down 68.7k head or 7.9% from the same period a year ago and 104.3k head or 11.5% lower than the same period in 2019. Seasonality trends are different for cull cows in Ireland, with slaughter increasing in May, June, and July. Cow slaughter has increased from a low of around 5,700 head/week in late March to around 7,100 head/week currently. However, slaughter remains well below year ago and 2019 levels. In the four weeks ending June 27, Irish cow slaughter averaged 7,107 head/week, 17.8% lower than the same period last year. We would expect slaughter to hover around the 7,000 head per week level into August before moving higher in the last three months of the year.

April exports of fresh/frozen Irish beef were 29,494 MT, down 1,177 MT or 3.8% from the previous month but 12.2% higher than a year ago. Exports to the UK market remain limited, down 3.2% y/y. Still, the UK market accounted for 45% of all Irish beef exports in April. Exports to the US in April were 526 MT compared to just 118 MT last year. Exports to major EU markets have recovered compared to the COVID disrupted trade last year. Exports to France in April were 3,268 MT, 142% higher than last year while exports to Germany at 1,326 MT were 26% higher. Sweden also emerged as a significant market in April, taking 2,016 MT, 190% more than a year ago.

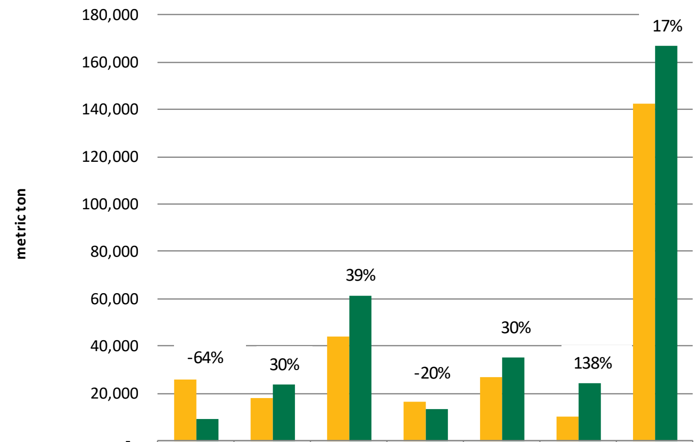
China/Japan/S. Korea: Chinese beef imports slowed down considerably in May but they still managed to post a double digit growth from year ago levels. Total imports of fresh/frozen beef for the month were 162,555 MT, down 31% from the previous month but still as much as 17% higher than a year ago. Brazil remains the top beef supplier in China. Imports from Brazil in May were 61,159 MT, 39% higher than a year ago. The effect of the Argentine ban on exports was not felt because Argentine beef imported into China in May was shipped before the ban went into effect. We expect to see a significant slowdown in Argentine beef imports in June and July, however. Imports from Argentina were 35,129 MT, 30% higher than a year ago and the second largest beef supplier to China. Year to date imports of Argentine beef were 136,312 MT, 19% higher than a year ago. Total imports from the US continued to expand and at 11,172 MT they represented a nine fold increase from a year ago. In the first five months of the year, Chinese buyers have imported 19,775 MT of beef from the US compared to just 2,865 MT for the same five month period a year ago. The US was the fifth largest beef supplier to China in May and it is now poised to surpass New Zealand.

Asia / EU Trade Statistics

South Korean beef imports are currently forecast to increase by 3.5% this year and so far imports remain on trend. May imports were 40,374 MT, 4% higher than a year ago. In the first five months of the year S. Korea imported 207,073 MT, 5% more than a year ago. The US remains the top imported beef supplier in S. Korea, taking 109,991 MT through May. This was 4% higher than the previous year. Despite lower supplies in Australia, South Korean buyers were able to outbid others and imports through May were 2% higher than the previous year. South Korea has also started to rely on Canada for a larger share. Through May, imports of Canadian beef were 4,520 MT, 67% higher than the previous year.

China Fresh/Frozen Beef Imports

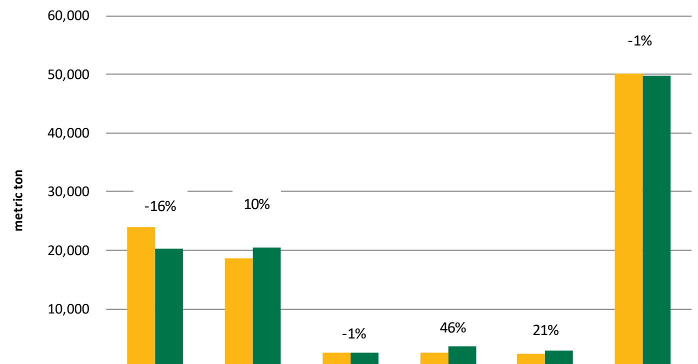
Data for May Units: Metric Tons



	Australia	Uruguay	Brazil	New Zealand	Argentina	Other	Total
May-20	26,089	18,201	44,119	16,737	27,077	10,197	142,419
May-21	9,297	23,726	61,159	13,469	35,129	24,228	167,008

Japan Fresh/Frozen Beef Imports

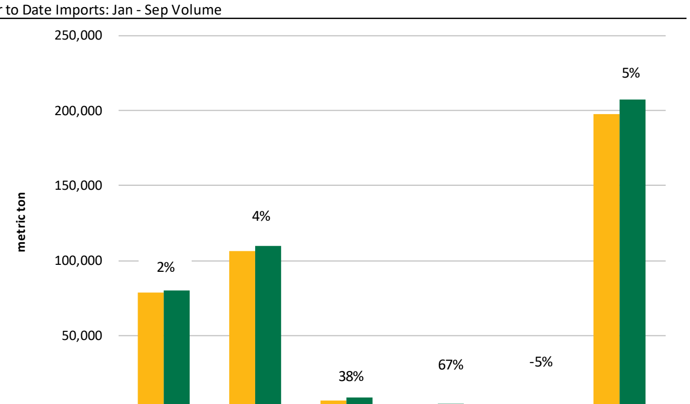
Latest Data for May Units: Metric Tons



	Australia	USA	New Zealand	Canada	Other	Total
May-20	24,034	18,651	2,469	2,523	2,359	50,036
May-21	20,199	20,474	2,446	3,695	2,853	49,667

South Korea Fresh/Frozen Beef Imports

Year to Date Imports: Jan - Sep Volume



	Australia	USA	New Zealand	Canada	Other	Total
2020 YTD Jan - May	78,428	106,108	6,615	2,700	3,827	197,678
2021 YTD Jan - May	79,830	109,991	9,103	4,520	3,629	207,073

Oceania Update

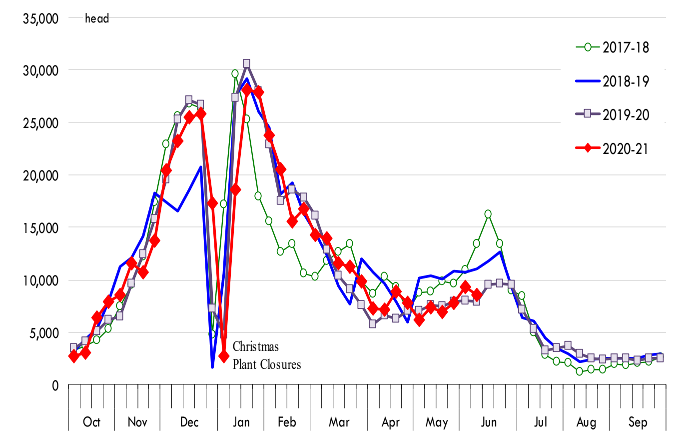
New Zealand: New Zealand slaughter peaked in May and it is expected to move lower in the next three months. In the four weeks ending June 5, total cattle slaughter averaged 79,329 head/week, 8.8% higher than the same period in 2020. Slaughter has been tracking above year ago levels since April and we expect that to continue in June and July. Seasonally, however, slaughter should drop in the mid 30s by July and find a bottom sometime in August.

Beef exports in May were 45,710 MT, down 6% compared to the previous year. Shipments to the US were 16,755 MT, 3% higher than last year and accounting for 37% of total shipments. Exports to China were 16,134, 23% lower than last year and accounting for 35% of all exports. New Zealand exports to Japan were near 4,800 MT in May, double the volume exported a year ago. Current forecasts are for New Zealand beef exports for all of 2021 to be up about 2% from a year ago, with exports to the US modestly above those to China.

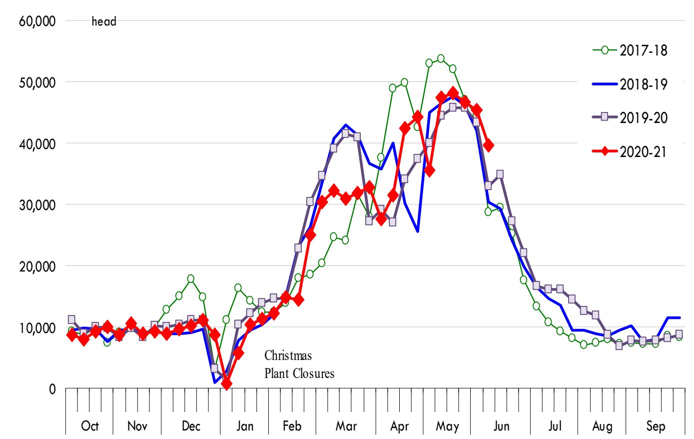
Australia: Australian cattle slaughter in the four weeks ending June 25 averaged 96,473 head/week, 20.5% lower than the previous year. Slaughter is lower than a year ago in all major producing states but the decline in Victoria has been especially significant. In the last four weeks, Victoria cattle slaughter averaged 12,900 head/week, 43% lower than a year ago. Queensland accounts for the largest share of slaughter. In the most recent four week period, slaughter there averaged 50,957 head/week, 16.4% lower than a year ago. Cattle prices in Australia continue to hover near record levels. Limited supply availability, in part due to herd rebuilding efforts, have resulted in sharply higher feeder cattle prices. The most recent reading of the Eastern Young Cattle Indicator pegged it at 941 AU cents per kilogram, a new all time high. The EYCI value is 23% higher than a year ago and 93% higher than in 2019.

Lower slaughter continues to limit the amount of Australian beef going to export markets. Still, exports to the US and China have declined by more than the overall reduction in exports. Total Australian beef shipments in May were 76,499 MT, down 22.4% from a year ago. We are currently projecting June shipments at around 72,000 MT, down 25.4% from a year ago. Export shipments to the US in May were 11,607 MT, 43.4% compared to a year ago. June shipments to the US are expected to be around 11,800 MT in June, 55% lower than a year ago. Exports to China in May were 13,792 MT, 43% lower than a year ago. Exports to Japan in May were 21,865 MT,

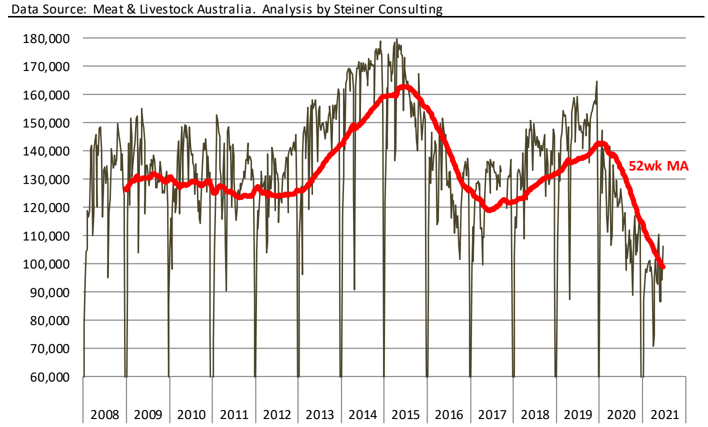
New Zealand Weekly Bull Slaughter
Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board



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

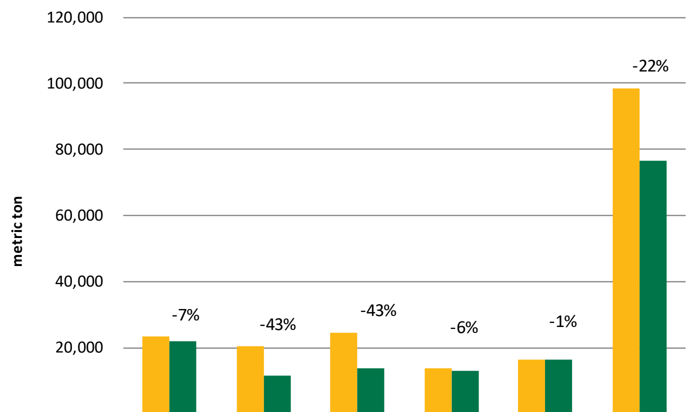


Oceania Statistics

down 6.9% compared to a year ago. We think June shipments to Japan may be around 20,500 MT, down 5.6% from last year. Exports to S. Korea have slowed down in the last three months. Shipments in March were 15,682 MT but by May they had declined to 13,000 MT and we think in June they will be under 12,000 MT.

Australia Fresh/Frozen Beef Exports

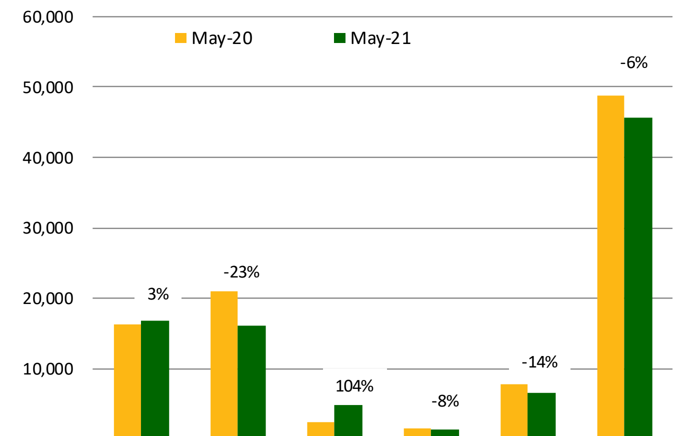
Latest Data for May Units: Metric Tons



	Japan	USA	China	Korea, South	Other	Total
May-20	23,495	20,517	24,344	13,780	16,429	98,565
May-21	21,865	11,607	13,792	13,018	16,216	76,499
Y/Y Diff.	(1,630)	(8,910)	(10,552)	(761)	(213)	(22,065)

New Zealand Fresh/Frozen Beef Exports in May

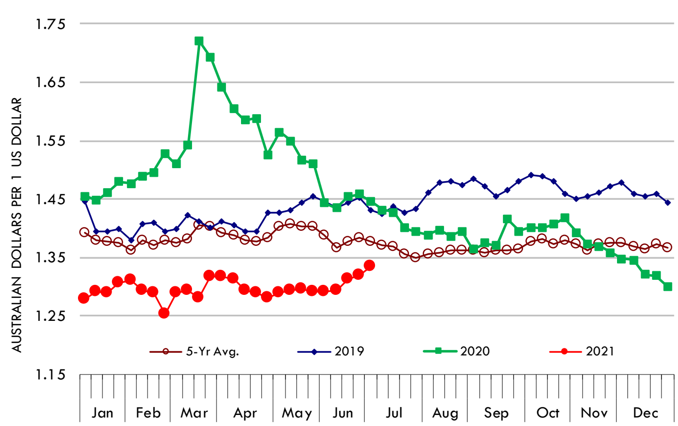
Source: Statistics NZ Units: Metric Tons



	US	China	Japan	South Korea	Other	Total
May-20	16,245	20,912	2,348	1,505	7,689	48,700
May-21	16,755	16,134	4,798	1,383	6,640	45,710
Y/Y Diff.	509	(4,778)	2,451	(121)	(1,049)	(2,989)

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