

Global Beef Market Monthly Review

November 2021

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Volume 3, Issue 11

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Highlights:

- Suspension of Brazilian beef in China continues and that has resulted in October exports declining 90% and November exports down by near 100%. Brazil is working to reopen the market and we still expect Brazil to be the main beef supplier to China in 2022.
- The table below now reflects an updated export volume for Brazil as well as an updated import volume for China.
- Argentine beef exports remain limited, in large part due to a 30% decline in exports to China in the most recent reported month. Cattle slaughter in Argentina in October was down by more than 11% due to more limited export demand.
- US beef supplies in the near term remain adequate, with on feed numbers slightly above last year and the supply of cattle with at least four months on feed still higher than a year ago.
- Canadian beef processors and labor unions have been sparring for the last 12 months, resulting in significant wage concessions. The latest flareup in Alberta was recently resolved, with workers getting a 21% raise over six years and a substantial bonus and back pay.
- Australia is expected to trigger the safeguard tariff in S. Korea but November shipments were still some 10% higher than last year and 40% higher than two years 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	4,841,490	47,440	1%	
Australia	19%	0%	Nov 2021	75,712	-4,235	-5%	1,039,410	883,498	-155,911	-15%
Argentina	2%	0%	Oct 2021	41,618	-18,608	-31%	617,584	586,705	-30,879	-5%
New Zealand	7%	0%	Oct 2021	27,462	2,910	12%	472,804	498,809	26,004	5%
Brazil	18%	1%	Oct 2021	82,187	-80,498	-49%	1,725,214	1,759,718	34,504	2%
USA	11%		Sep 2021	93,131	17,750	24%	939,038	1,112,760	173,722	19%
IMPORTS						4,407,793	4,362,485	-45,308	-1%	
USA		20%	Sep 2021	88,503	-6,149	-6%	1,069,777	984,195	-85,582	-8%
China	0%	9%	Oct 2021	207,556	38,702	23%	2,117,895	2,287,327	169,432	8%
Hong Kong			Oct 2021	19,875	-16,955	-46%	363,847	272,885	-90,962	-25%
Japan	0%	9%	Oct 2021	55,200	4,242	8%	600,404	587,796	-12,608	-2%
Russia	0%	8%	Sep 2021	19,248	-1,886	-9%	255,870	230,283	-25,587	-10%

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

North America Market Update

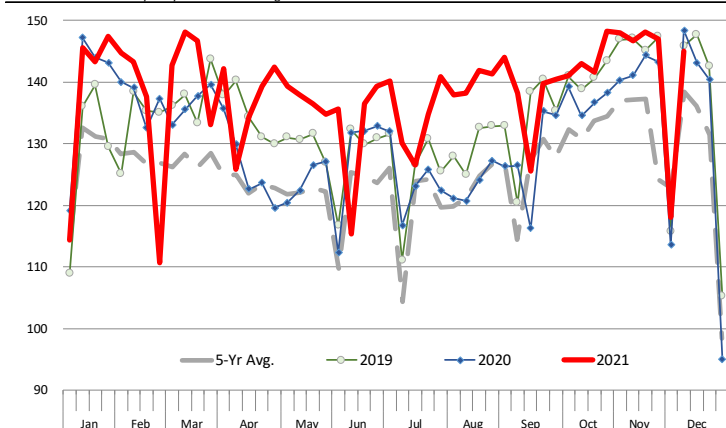
United States: US beef inventory in cold storage has been increasing but it still remains well below year ago levels. The total supply of beef in cold storage at the end of October was estimated at 477.1 million pounds, 4.6% lower than a year ago and 5.4% lower than the five year average. Beef inventories usually increase in the fall and winter, in part due to the slowdown in overall demand but also because some end users built stock ahead of year-end holidays. The inventory of beef cuts in cold storage at the end of October was 41.1 million pounds, 5.3% higher than a year ago. Bone-in inventories increased 16.3% from the previous month compared to an average 2% increase in the last five years. Worried about year-end supply, there was a rush of buying in August and September. Recently we have seen the price of beef ribs counter seasonally decline, likely reflecting the impact of pulling on some of this freezer supply. The inventory of boneless beef was estimated at 435.9 million pounds, 5.5% lower than a year ago. Boneless beef inventory increased 7.8% from the previous month compared to an average 2.8% increase in the last five years.

US beef supply in the near term is expected to be adequate as front end cattle inventory is still above year ago levels. The total inventory of cattle on feed as of November 1 was estimated at 11.948 million head, 398k head higher than the previous month but 25k head or 0.2% lower than the previous year. Analysts polled ahead of the report expected the inventory to be 0.3% lower. The inventory of cattle that have been on feed for more than 120 days is estimated at 3.929 million head, 2.4% higher than a year ago and 252k head or 6.8% higher than the five year average. The inventory of cattle with +150 days on feed is calculated at 2.316 million head, 10.2% higher than year ago and 15% higher than the five year average. Fed cattle futures have shown some improvement in recent weeks as packers sought to bolster cattle supplies ahead of the holidays. Market ready supply remains adequate in the near term and based on the latest inventory numbers the upside for December is somewhat limited. We think that's the reason why December futures are not far from current cash prices.

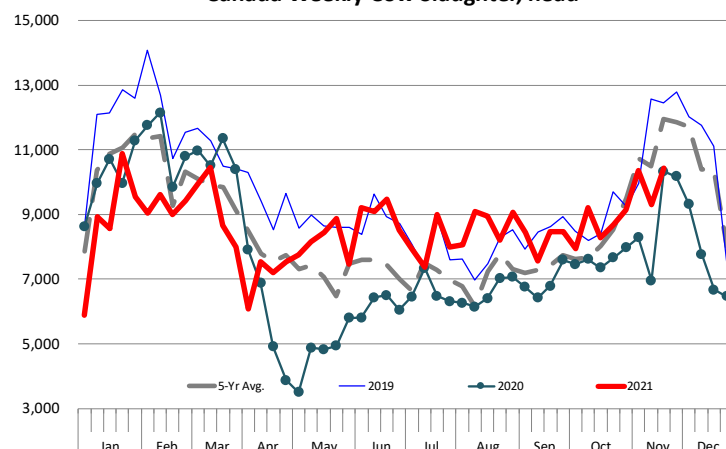
Canada: There was some concern a couple of weeks ago that a labor impasse at the Cargill High River meat packing plant could idle as much as a third of Canadian cattle

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



Canada Weekly Cow Slaughter, head



processing capacity. However, both sides were able to reach agreement this week, with a 21% increase in wages over the six year terms of the deal plus bonuses and back pay of as much as \$6,000. Cattle slaughter in the four weeks ending November 27 averaged 65,373 head/week, 1.8% higher than the same period a year ago and 7.9% higher than the five year average. The potential shut-down of the big plant in High River could have sent a lot of Canadian feedlot cattle to the US for processing. That risk has been averted and we will continue to see more fed cattle processed in Canada. During the four week reference period, fed cattle slaughter averaged 54,950 head/week, about the same as a year ago but 12.3% higher than the five year average. Cow slaughter averaged 10,069 head/week, 12.7% higher than the COVID restricted slaughter a year ago but still about 10.5% lower than the five year average.

North America (continued)

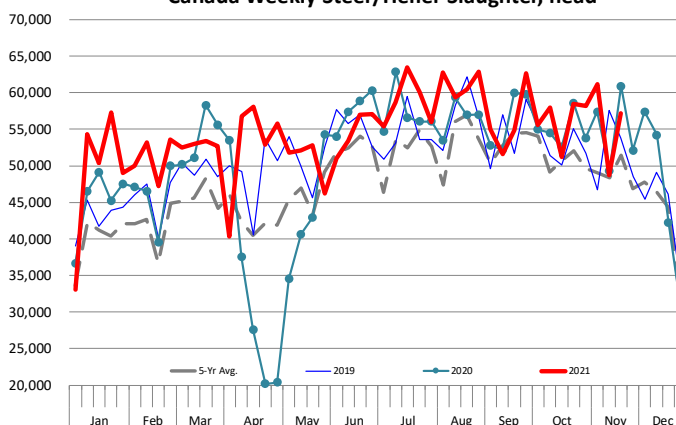
Limited supply availability in Australia, high prices and increased domestic production continue to limit Canadian beef imports. Through December 4, beef imports were down from most markets. The US remains the top supplier and imports were down 11% from a year ago while imports from New Zealand were down 31% and imports from Mexico were down 43%. Australia is included in the “other category”, together with Brazil, Ireland and other countries, with imports YTD down 30%.

Mexico: Mexican beef production continues to follow seasonal trends but overall output remains ahead of both last year and the five year average. The trend is also expected to continue considering the higher calf crop and the reduction in Mexican feeder cattle exports to the US. With more Mexican cattle remaining in Mexico, we expect to see robust beef production growth through the end of this year and in 2022. October beef production was estimated at 181.9 million MT (carcass wt basis), 2.2% higher than a year ago and 7.3% higher than the five year average. Through October, Mexican beef production has been 2.3% higher than the previous year, in line with forecasts presented earlier in the year. Current forecast are for beef production in Mexico in 2022 to increase 3.3% thanks to strong export demand and strong gains in the cow herd.

The latest export data is for the month of September, showing total shipments of fresh/frozen beef were 24,580 MT, 5% higher than the previous year. Most Mexican beef exports are fresh/chilled and in September 96% of those exports went to the US market. Frozen beef exports account for less than 20% of overall Mexican export shipments. Frozen exports are more diversified, with both S. Korea and Japan counting as significant markets. In September total frozen Mexican beef exports were 4,421 MT. Exports to Japan were 1,411 MT, 121% higher than the previous year. Through September, Mexican beef exports to Japan were 11,831 MT, 36% higher than a year ago.

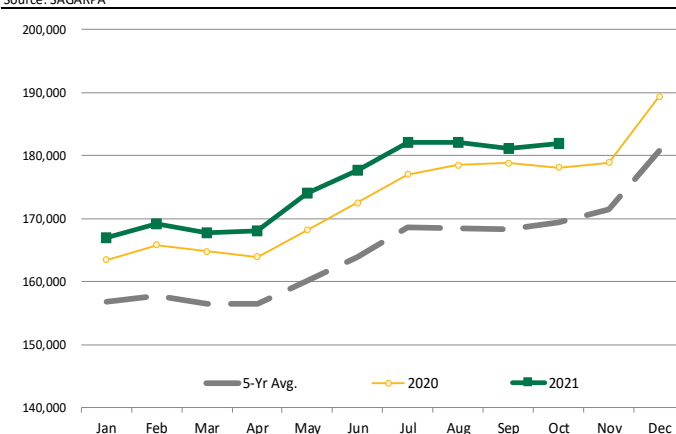
Mexican beef imports have rebounded following the sharp decline due to COVID restrictions last year. In September beef imports were 8,741 MT, 12% higher than a year ago. Imports for the period Jan-Sep were 93,359 MT, 23,556 MT or 34% higher than a year ago. Imports from the US were 61,684 MT, 18% higher than last year and accounting for about 2/3 of overall imported beef.

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA

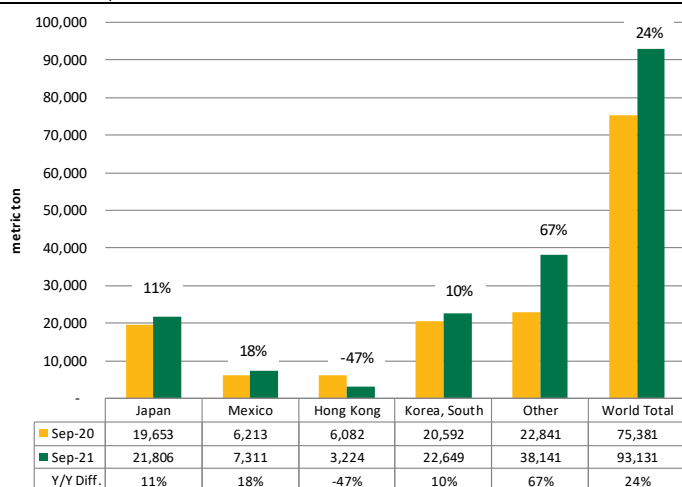


Canada used to be the second largest imported beef supplier in Mexico but Nicaragua has now emerged as a top supplier. Through September imports of Nicaraguan beef were 17,949 MT, 7,433 MT or 71% higher than a year ago.

North America Trade Statistics

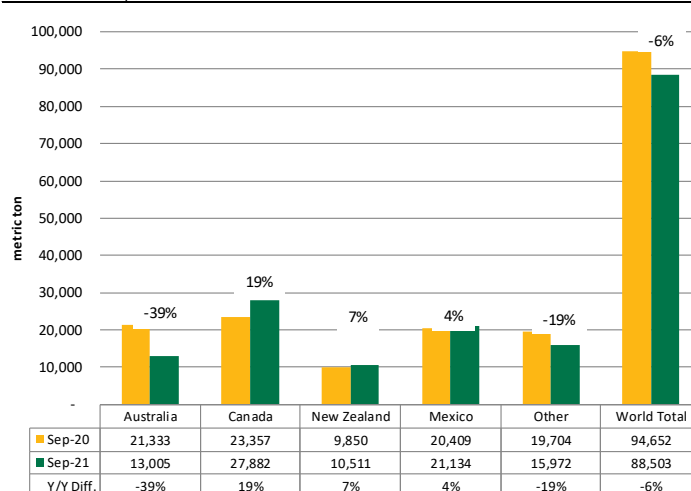
USA Fresh/Frozen Beef Exports

Latest Data for September Units: Metric Tons



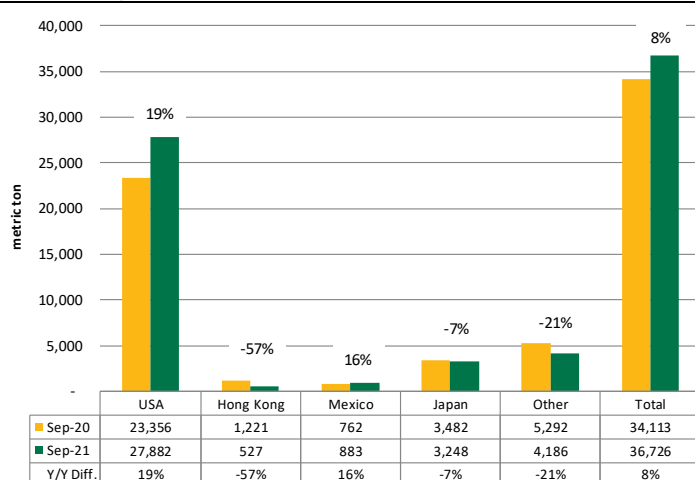
USA Fresh/Frozen Beef Imports

Latest Data for September Units: Metric Tons



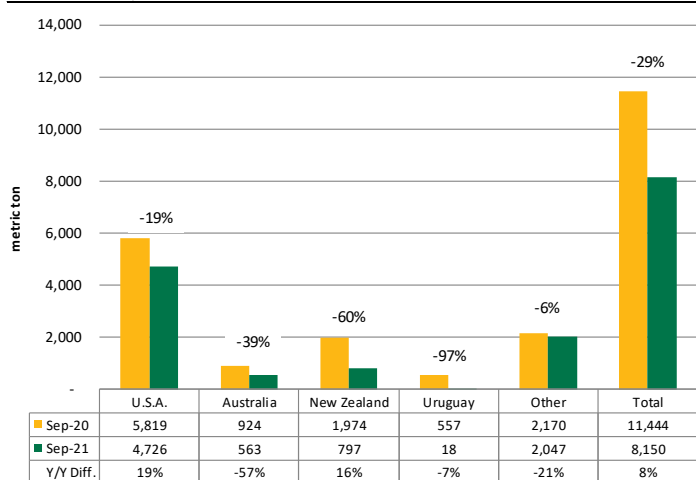
Canada Fresh/Frozen Beef Exports

Latest Data for September Units: Metric Tons



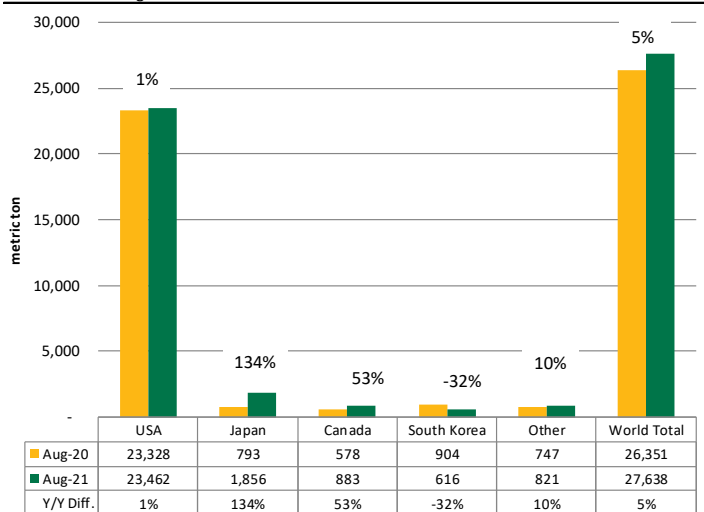
Canada Fresh/Frozen Beef Imports

Latest Data for September Units: Metric Tons



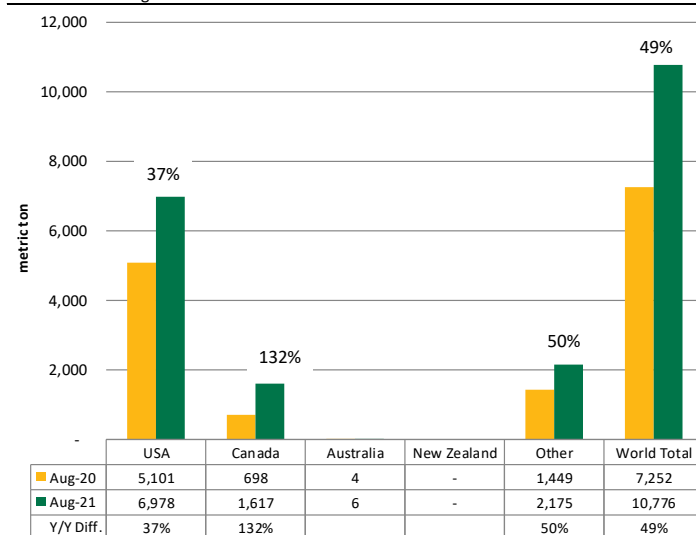
Mexico Fresh/Frozen Beef Exports

Latest Data for August Units: Metric Tons



Mexico Fresh/Frozen Beef Imports

Latest Data for August Units: Metric Tons



South America Market Update

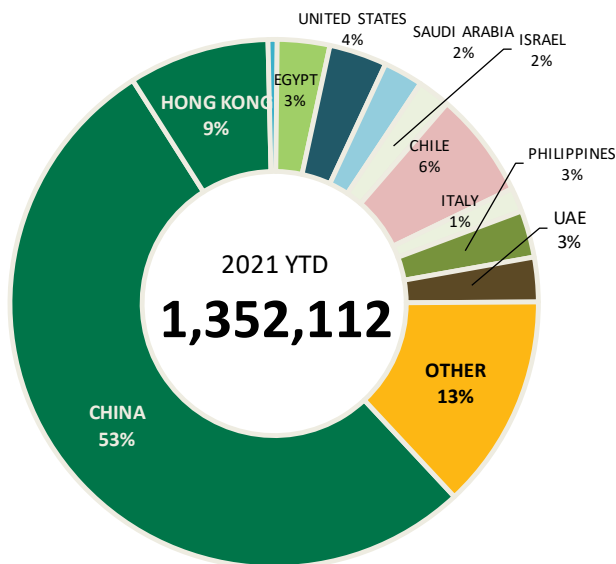
Brazil: When Brazil announced two cases of atypical BSE in September, few thought that the suspension of exports to China would last more than a couple of weeks. Instead, we have yet to see a material resolution. Brazilian exporters were relieved that Chinese Customs decided a couple of weeks ago to allow entry to product certified before September 4. But that still leaves a significant amount of product in limbo and also has brought sales of Brazilian exports to a standstill. October exports to China were down 90% compared to the previous year but overall shipments are still up for the year. We have had to adjust some of our export targets based on this but at this point we do not see a significant change in demand for 2022. Russia may become a much more significant buyer of Brazilian beef in 2022 as officials there look to cool off domestic meat price inflation. At this time Russia has lifted its ban on Brazilian beef and some news reports suggest that Russia is prepared to purchase about 300k MT of beef from Brazil in the next six months. Through October of this year Russia had purchased just a little over 16,000 MT of beef from Brazil. Exports to the US market continue at a steady pace, constrained by the limited TRQ available. In October shipments of Brazilian fresh/frozen beef to the US were 8,805 MT, more than double year ago levels. Through October shipments were 47,790 MT, up 183% from the limited volume exported last year. TRQ available to countries without their own quota is 65,005 MT.

Argentina: Argentine officials have managed to limit the amount of beef going to export markets although so far the impact on beef price inflation in Argentina has been limited. The September CPI for food and beverages in Argentina was 2.95% higher than the previous month, lower than the +4% m/m increases we saw before export restrictions but still a +35% annual inflation rate.

Exports of fresh/frozen beef in October were 41,618 MT, down 18,608 MT or 31% lower than the previous year. Exports to China, the top market, were 30,341 MT, down 19,000 MT or 39% compared to the previous year. Exports to the US market continue to show improvement but volume will be constrained by the 20,000 MT TRQ available. Through October total shipments of fresh/frozen beef to the US were 14,452 MT, about 5,340 MT lower than the same period in 2020.

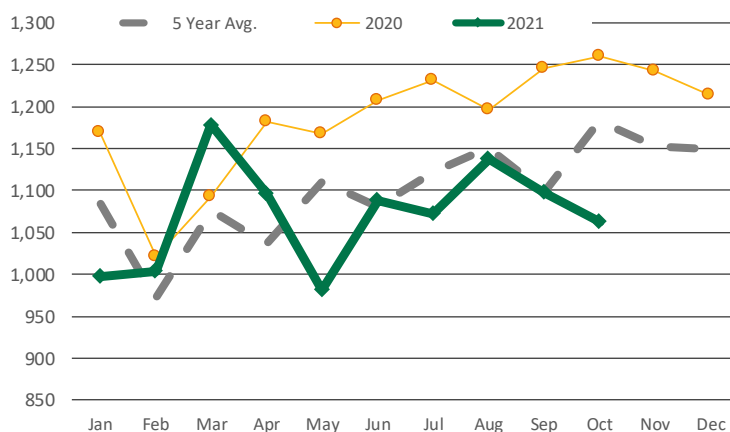
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Oct 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



With export controls in place, Argentine producers are sending fewer cattle to market. It remains to be seen how much weather impacts herd rebuilding efforts, especially as some parts of the country have started to report another dry year may be in store. Cattle slaughter in October was 1.063 million head, 15.7% lower than a year ago and 10% lower than the five year average. Year to date cattle slaughter in Argentina is 7.7% lower than in 2020.

Uruguay: Cattle slaughter was lower in November and seasonally we expect to see lower Uruguayan cattle slaughter numbers in December as well. Producers have

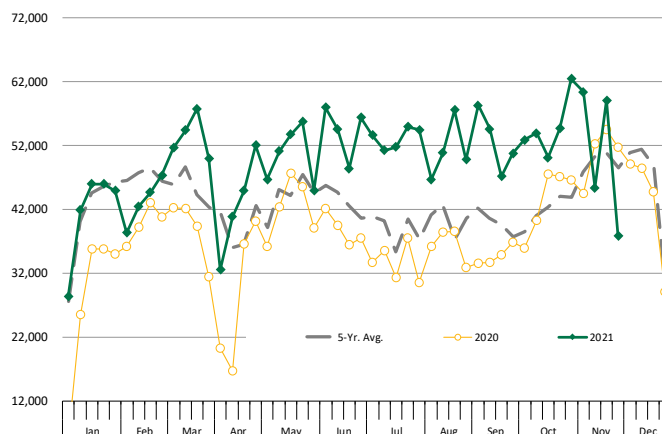
South America (continued)

liquidated aggressively this year due to weather related factors and strong demand in outside markets, especially China. Slaughter in the four weeks ending November 27 averaged 50,664 head/week, about the same as a year ago and 3.3% higher than the five year average. Steer slaughter during this period averaged 24,644 head/week, 4.3% lower than a year ago but still about 4.3% higher than the five year average. Cow slaughter, however, averaged 17,160 head/week, 20% lower than the five year average.

We do not have export numbers for November yet but the strong pace of slaughter in October (see chart) help bolster exports during that month. Total shipments of fresh/frozen beef in October were 40,388 MT, 33% higher than a year ago. China accounted for all the increase in exports. Total shipments to China in October were 31,499 MT, 45% higher than the previous year and accounting for almost 80% of all exports. Lower product availability in Argentina and ban on Brazilian beef has shifted some Chinese purchases to Uruguay and other markets.

Uruguay Cattle Slaughter, Total

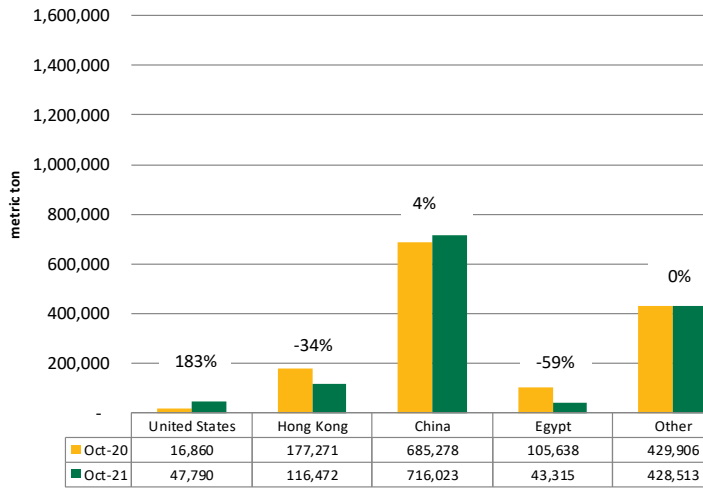
Weekly Slaughter in Head. Source: World Beef Report



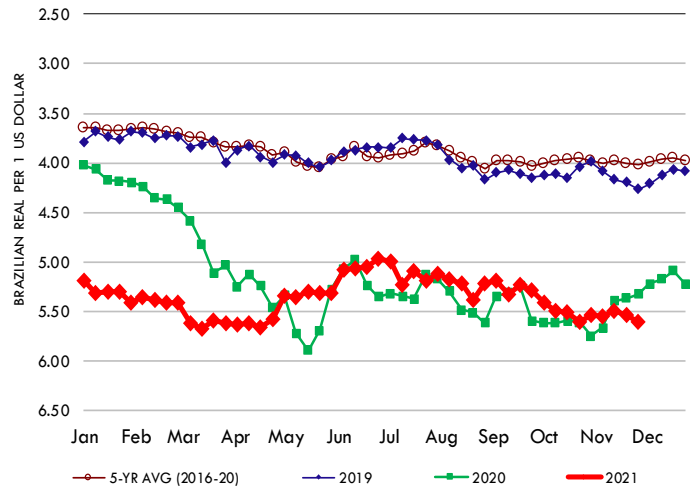
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports: Jan - October

Latest Data for October



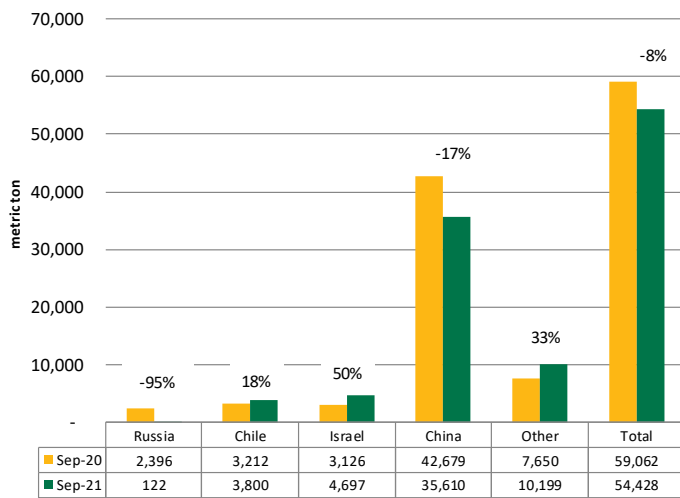
Brazilian Real Per 1 US Dollar



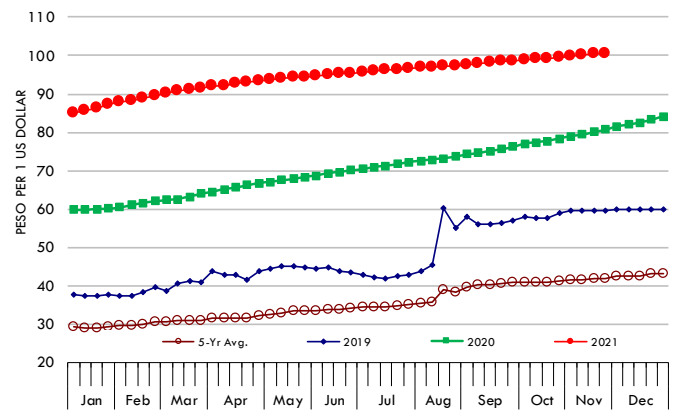
Argentina Fresh/Frozen Beef Exports

Latest Data for September

Units: Metric Tons



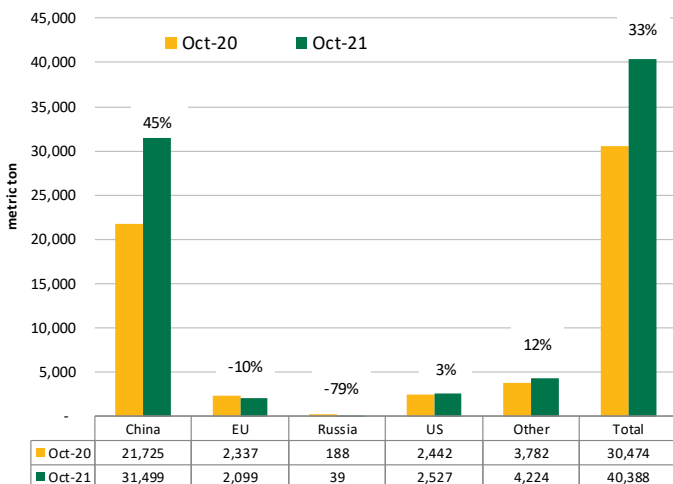
Argentine Peso Per 1 US Dollar



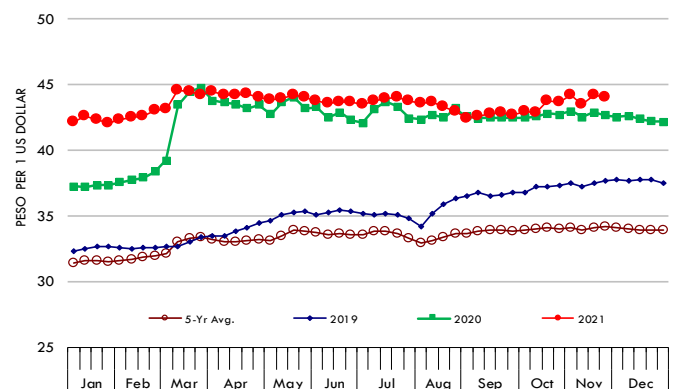
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Oct 2021

Units: Metric Tons



Uruguay Peso Per 1 US Dollar

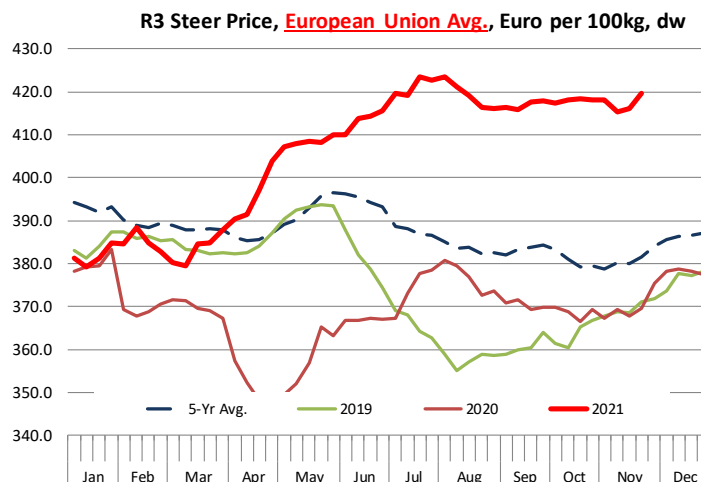


Asia / EU Market Update

European Union: Irish cattle slaughter has been lower than a year ago for much of 2021, and that was the case for much of November as well. In the four weeks ending November 21, cattle slaughter in Ireland averaged 35,743 head/week, 3.3% lower than the previous year and 5.9% lower than in 2019. Female cattle slaughter in Ireland also remains well below last year. In the last four reported weeks, cow slaughter averaged 7,948 head per week, 4.9% lower than a year ago. Heifer slaughter averaged 10,355 head/week, 5.2% lower than last year. Limited supply and robust demand continue to underpin cattle values. The average price of O3 grade cows in Ireland is currently quoted at 341.3 euro per 100 kg, 26% higher than a year ago. What is interesting is that cow prices are up across the EU. Normally Polish cow prices, for instance, trade at a significant discount to Irish prices. Recently, however, they have been trading at a premium. The EU average O3 cow prices was also trading above Irish cow prices when normally they trade at a discount. Robust dairy prices and low inventory appear to have limited cow slaughter in a number of countries in the EU.

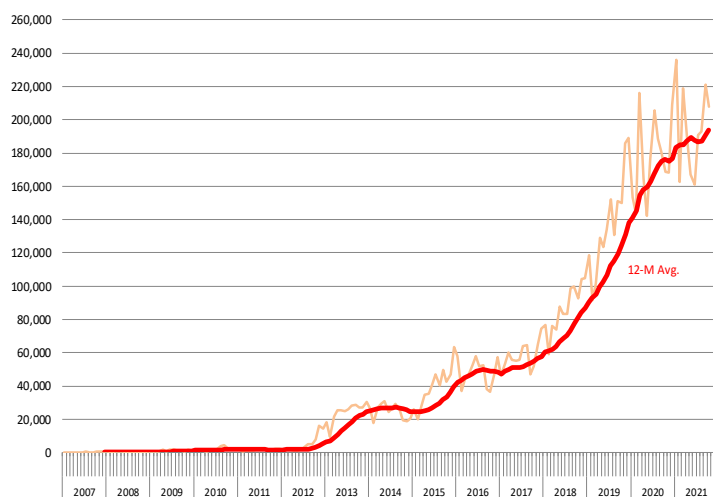
Lower slaughter continues to limit Irish beef exports. September shipments to all markets were reported at 35,436 MT, 8% higher than the previous month (seasonal increase) but still 2.3% lower than the previous year. Exports to Great Britain in September were 12,101 MT, down 25% from last year while exports to Northern Ireland were 3,251 MT, 32% higher than a year ago. Exports to France and Germany saw strong growth as Irish exports diversify away from Great Britain while shipments to the US remain limited at just 434 MT in September, 49% lower than the previous year. Shipments to Canada were 129 MT, down 55% from a year ago.

China/Japan/S. Korea: Chinese beef imports in October were higher than the previous year despite the ban on imports of Brazilian beef. We suspect this was due to product that had already shipped and likely was cleared during the month. November and December imports from Brazil will better reflect the impact of the ban. In October China imported 207,556 MT of beef, a 23% increase from a year ago. Year to date imports were up 5% and we think the final number will be lower due to current restrictions on Brazilian imports and COVID related restrictions. Beef imports from Brazil in October were 74,221 MT, 11% lower than the previous year. Year



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

Data Source: China Customs Administration. Analysis by Steiner Consulting



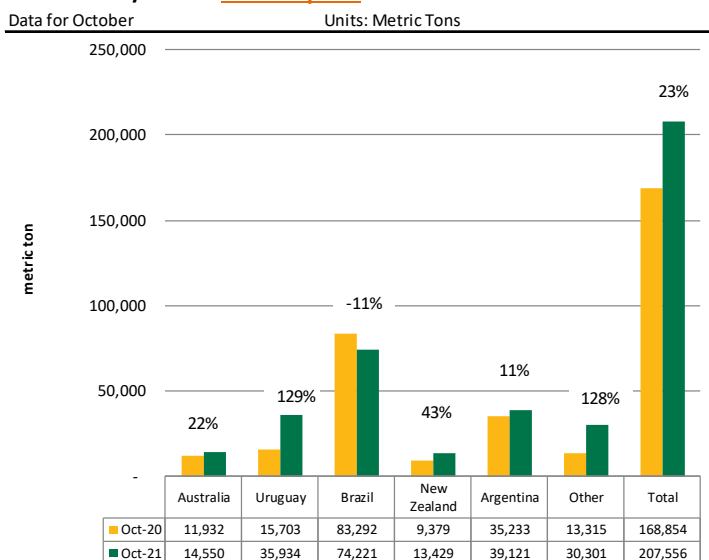
to date imports from Brazil were up 10% in October but by the end of the year we think imports will be near or below year ago levels. Imports from Uruguay remain very strong at 35,934 MT in October, 127% higher than a year ago. Additionally, imports from Argentina were 39,121 MT, almost 3,900 MT or 11% higher than a year ago. We also continue to see very strong growth in imports from the US, albeit they are from a much smaller base. In October China imported 16,298 MT of US beef, a 273% increase. For the period Jan—Oct, China had imported over 100,000 MT, a five fold increase compared to a year ago. At this pace, US shipments to China will surpass Australia in 2022.

South Korean beef imports in October were 39,045 MT, about the same as a year ago. Imports from the US were 21,635 MT, 3% lower than a year ago.

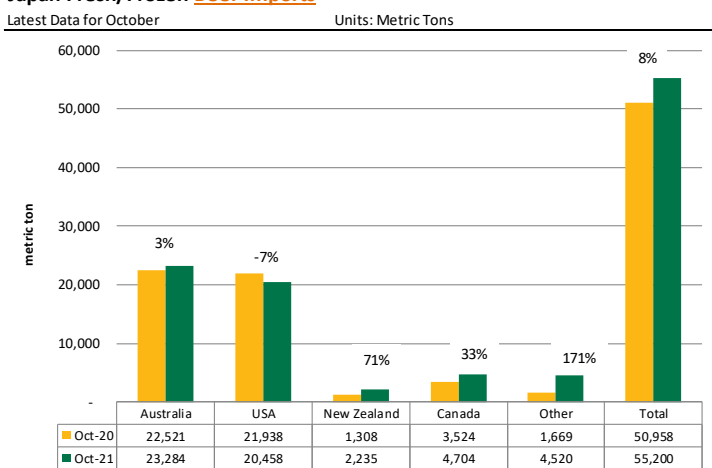
Asia / EU Trade Statistics

Sharply higher beef prices in the US have caused South Korean buyers to look at alternative markets. Imports from Australia in October were 14,434 MT, 5% higher than a year ago. Through October imports of fresh/frozen Australian beef in S. Korea were 153,849 MT vs. the safeguard volume of 177,569 MT available to Australian exporters for all of 2021. Once the safeguard volume is reached, snapback tariffs kick in, increasing from 18.6% currently to 30% for the rest of the year. Australian beef exports to S. Korea in November were over 18,000 MT, suggesting that the snapback tariff was not a major concern.

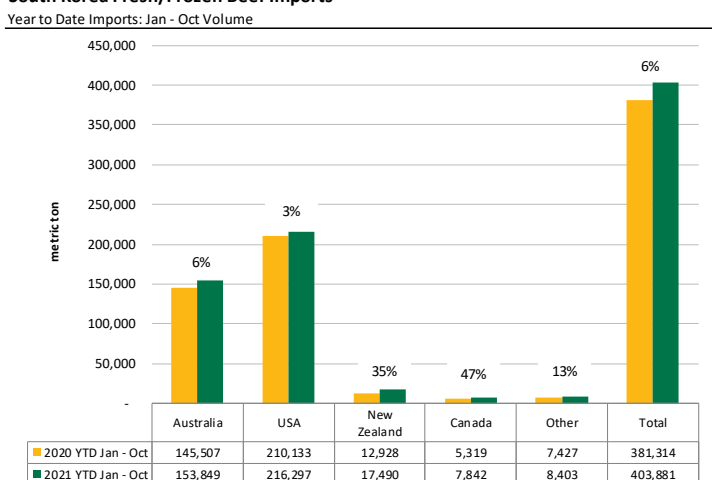
China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



South Korea Fresh/Frozen Beef Imports



Oceania Update

New Zealand: New Zealand bull slaughter is off to a strong start although the data available is offered with a significant three week lag. For the week ending November 6, bull slaughter in New Zealand was 10,843 head, this is slightly below bull slaughter numbers for the comparable week a year ago but still on the higher end of the 10 year range for early November. Slaughter is expected to trend higher through mid December, decline due to holiday shortened weeks at the end of the year and then peak in January. Cow slaughter on the other hand was 9,300 head for the latest reported week, 12% lower than the previous year.

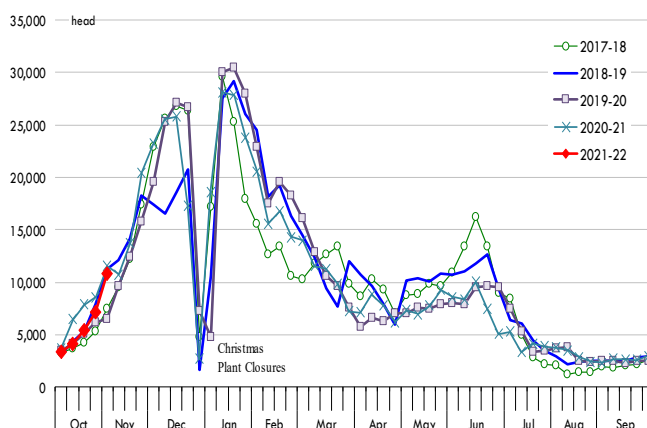
Prices for lean grinding beef in New Zealand remain firm despite the increase in bull slaughter thanks to strong demand in US and Chinese markets. Exports in October were 12% higher than the previous year and we expect November shipments to be higher as well. Exports to China in October were 14% higher than the previous year and accounted for 41% of all shipments (see chart).

Australia: Australian cattle prices continue to hit new all time record levels on a combination of strong export demand, a weak Australian dollar and herd rebuilding activity. The Eastern Young Cattle Indicator price was last reported at over \$AU11 per kilogram, 183% higher than the market low in early 2019. Weekly slaughter continues to hover under 100k head/week as producers retain more heifers in the herd. There is little incentive for Australian cattle producers to rush cattle to market given excellent moisture conditions and ample feed. On the other hand, Australian packers are also in no rush to chase the market due to labor constraints. Indeed, for some packers the lack of cattle may be a blessing in disguise as COVID protocols continue to limit the supply of low skilled, immigrant labor that packers used to rely on to run their plants. The result is limited Australian beef supply availability and high beef prices.

Exports of beef and veal in November were 75,712 MT, only marginally higher than the previous month and 5.3% lower than the already low export volume of last year. Exports were 27% lower than in November 2019. While exports were lower across a number of key markets, exports to the US remain particularly low despite near record high prices in the US. Port congestion has clearly been a factor, especially in the west coast. Total exports to the US in November were 8,227 MT, 14%

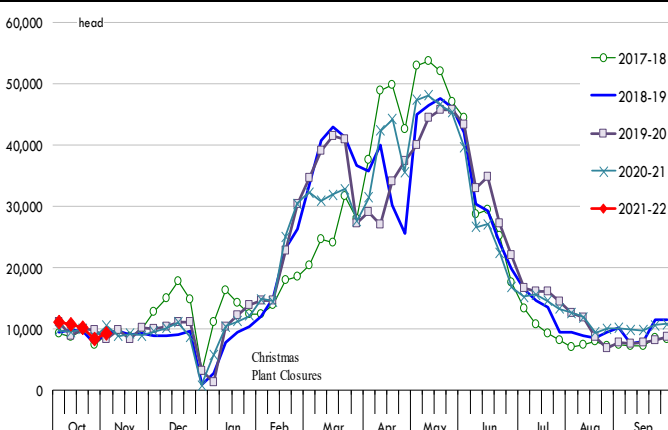
New Zealand Weekly Bull Slaughter

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



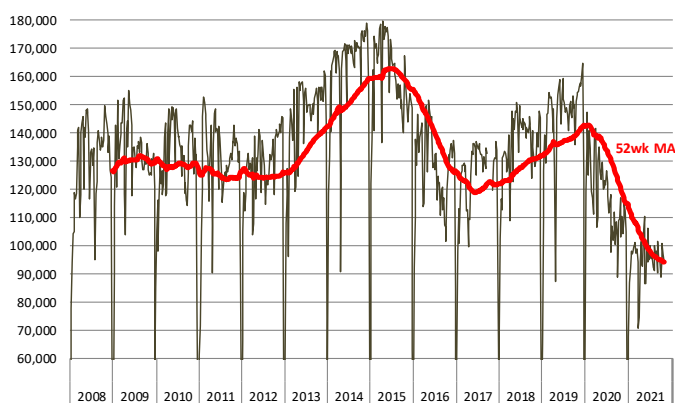
New Zealand Weekly Cow Slaughter

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



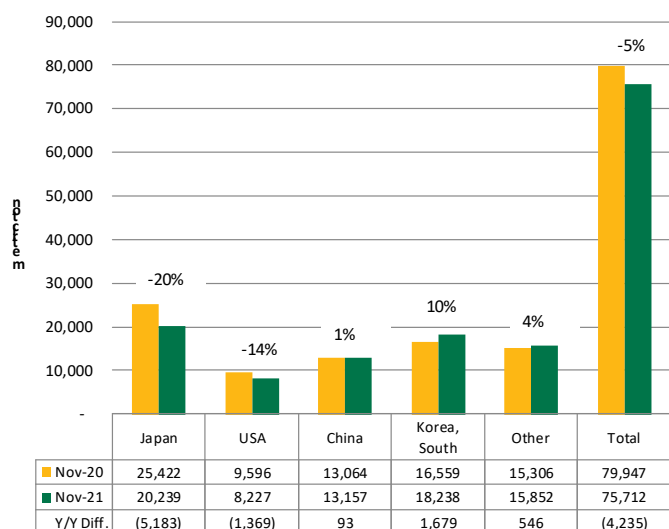
lower than the previous year. Exports to the US East Coast were 5,746 MT, down 5% from last year and 30% lower than in 2019. Exports to the US West Coast were

Oceania Statistics

only 2,508 MT, 29% lower than a year ago and 54% lower than in 2019. Demand in other markets, especially South Korea, has been excellent. Shipments to that market in November were 18,238 MT, 10% higher than a year ago and 40% higher than in 2019. Exports to Taiwan at 2,317 MT were also 11% higher. Shipments to China were 13,157 MT, about the same as a year ago but 62% lower than in 2019. Despite political issues, Australia has sold more beef to China than to the US.

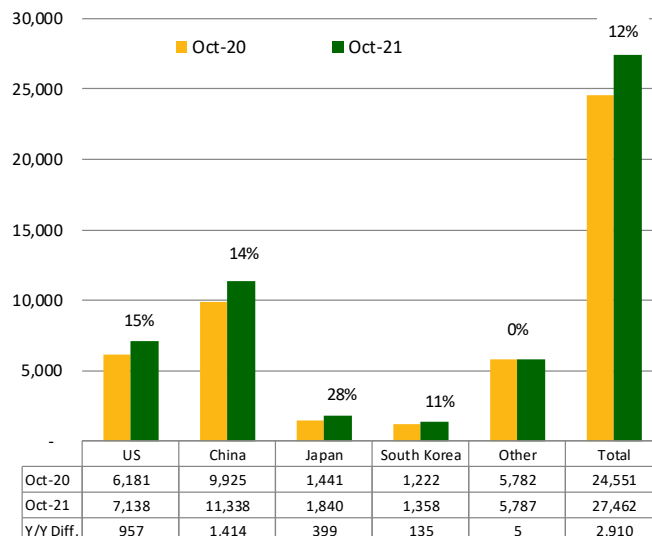
Australia Fresh/Frozen Beef Exports

Latest Data for November Units: Metric Tons



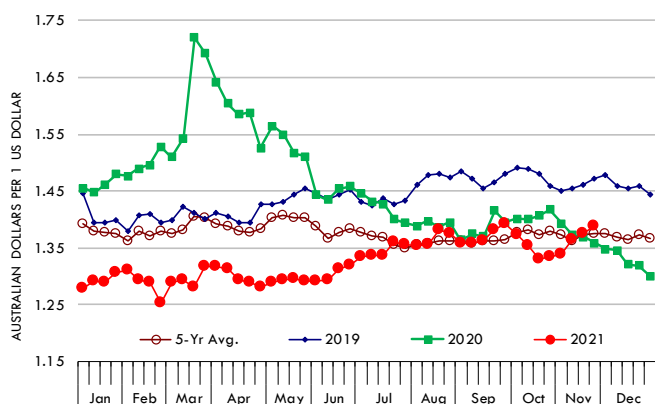
New Zealand Fresh/Frozen Beef Exports in October

Source: Statistics NZ Units: Metric Tons



AUSTRALIAN DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate



NEW ZEALAND DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate

