MEAT & LIVESTOCK AUSTRALIA

Global Beef Market Monthly Review

December 2021

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Inside this issue:

Highlights 1

North America 2-4

South America 5-7

Asia / EU 8-9

Oceania 10-11

Highlights:

- Suspension of Brazilian beef imports caused imports of Brazilian beef into China in November to be down 43% and they will likely be down even more in December. Despite the reduction in Brazilian imports, Chinese beef imports in November were up 7% y/y as imports from several other markets more than doubled.
- US beef prices pulled back modestly in December but they remain significantly higher than a year ago. Feedlot trends suggest that cattle on feed are getting more current. The pace of placements would suggest tighter supplies next spring, which helps explain cattle futures for April and June showing significant increases from current levels.
- Cattle slaughter has declined sharply in Argentina, in part as a response to government restrictions on exports and the resulting decline in beef shipments, especially shipments to China.
- Canadian cow slaughter has been lower in the last few weeks. The smaller than expected fall cow run is due in part to the smaller beef cow herd but also because drought conditions last spring and summer caused producers to send more cull cows to market at that time.
- Japan is importing less beef from US and Australia and more from N. Zealand and Canada

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	4,617,212	-176,838	-4%
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%	Nov 2021	33,573	672	2%	472,804	498,809	26,004	5%
Brazil	18%	1%	Nov 2021	81,174	-86,562	-52%	1,725,214	1,535,440	-189,774	-11%
USA	11%		Oct 2021	90,659	9,121	11%	939,038	1,112,760	173,722	19%
IMPORTS							4,407,793	4,395,214	-12,579	0%
USA		20%	Oct 2021	91,910	14,276	18%	1,069,777	1,010,940	-58,838	-6%
China	0%	9%	Nov 2021	180,586	12,492	7%	2,117,895	2,308,505	190,611	9%
Hong Kong			Oct 2021	19,875	-16,955	-46%	363,847	272,885	-90,962	-25%
Japan	0%	9%	Nov 2021	42,651	-6,784	-14%	600,404	585,394	-15,010	-3%
Russia	0%	8%	Oct 2021	15,796	-5,728	-27%	255,870	217,490	-38,381	-15%

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

North America Market Update

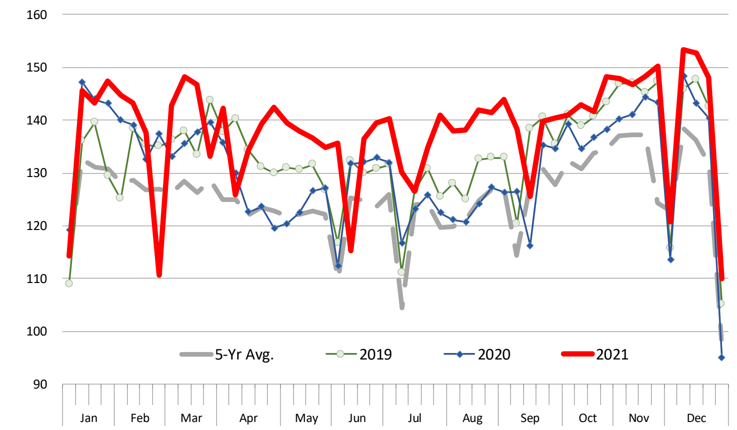
United States: The latest feedlot inventory data shows that feedlots have become incrementally more current and thus able to gain a bit more leverage in dealings with packers. Given the pace of placements in the last few months, we would expect feedlot bargaining position to improve further in Q1, evidenced by the current premium that futures markets are pricing for April and June cattle. The total inventory of cattle on feed as of December 1 was estimated at 11.985 million head, 37k head higher than the previous month but 51k head or 0.4% lower than the previous year. Analysts polled ahead of the report expected the inventory to be 0.2% lower with this an usually wide range, mostly because of a couple of outlier estimates. The inventory of cattle that have been on feed for more than 120 days is estimated at 3.740 million head, 4.0% lower than a year ago but slightly higher than the inventory market ready hogs on December 1, 2019. The inventory of cattle with +150 days on feed estimated at 2.056 million head, about the same as a year ago.

The latest inventory report indicated that feedlots marketed 1.873 million head of cattle in November, up 5.3% vs. year ago and above what analysts were expecting. There was one more marketing day in November, which bolstered marketings when compared to both 2020 and 2021. The inventory turnover rate (ratio of marketings vs. +90day inventory) was 33.4% in November. This is higher than the turnover rate in 2020 and 2019, but that is due largely to the extra marketing day this year. We think the fact that Christmas Day and New Year's day this year is on a Saturday bolstered monthly marketings this month. Labor remains a challenge for packers even as it has improved somewhat compared to where it was in the summer. But our ongoing monitoring of COVID cases in counties where beef packing plants are located shows only a limited increase in COVID cases.

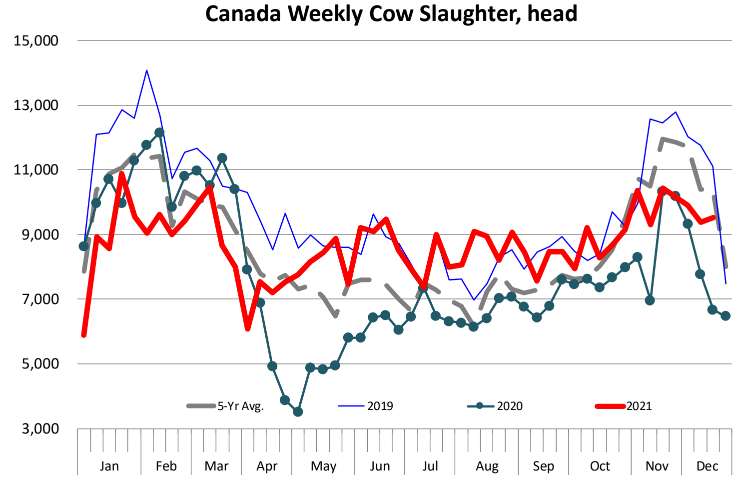
Beef supplies in cold storage have increased in the last three months, with boneless beef seeing a notable improvement. According to USDA, at the end of November there were 454.5 million pounds of boneless beef in cold storage, a 70 million pound increase from late August, 4% lower than a year ago and 2.5% lower than the five year average. The total inventory of red meat and poultry in the freezer at the end of November was 11% lower than last year and 17% lower than the five year average. At the same time, we keep hearing from market participants that freezers are full. We suspect labor and transportation are part of the issue. Also, it very much depends where you are located, with warehouses near ports struggling with a backlog of product while freezers in other parts of the country running well below capacity. For instance, boneless beef inventory in the Pacific region is currently 5% higher than a year ago but inventories in East North Central US are down 26%.

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



Canada Weekly Cow Slaughter, head

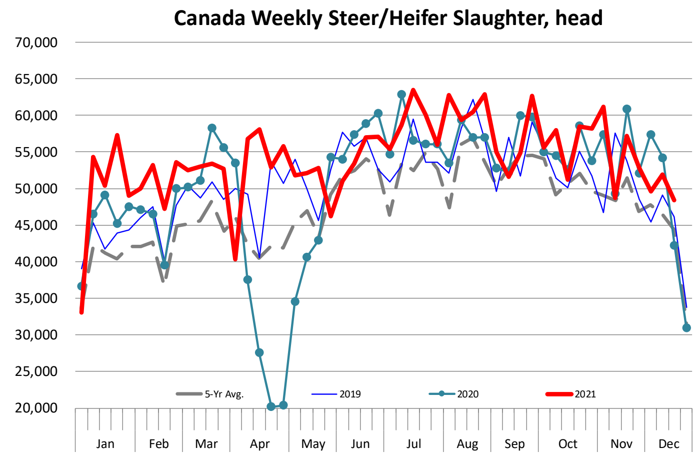


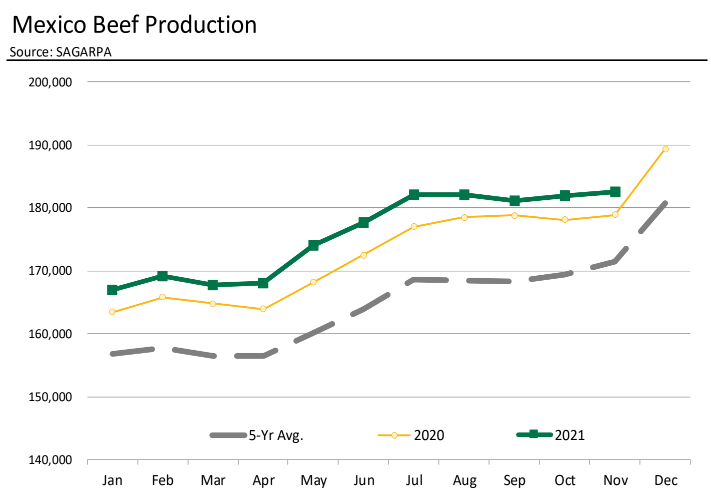
Canada: Canadian cow slaughter has been trending higher in recent weeks, which is normal for this time of year. Overall slaughter is up compared to the depressed levels of a year ago but still well below 2019 and five year average levels. In the four weeks ending December 18 cow slaughter averaged 9,750 head/week, 15% higher than a year ago but 12% lower than the five year average. Cow inventories have been trending lower in recent years, limiting the number of cull cows available. In addition, drought in the Canadian prairies pushed more cows to

North America (continued)

market early, limiting the supply available during the normal cow run. Cow slaughter averaged 63% above year ago and 19% above the five year average during May, June and July (also see chart below). Low domestic cow slaughter, limited imports and strong demand/high prices in the US have all contributed to significant lean beef price inflation in Canada.

Import data has been updated through mid December and it continues to show a significant shortfall compared to year ago levels. Imports from the US, the top beef supplier in Canada, are now down 9.5% for the year. Chilled beef imports were down 12% while imports of frozen beef were down 3%. Imports of frozen boneless beef were actually 17% higher on the year as end users looked to replace some of the shortfall in imports of Australian and New Zealand product. Imports of frozen beef from New Zealand were down 34% for the year and 32% overall while imports from Uruguay were down as much as 44% from a year ago.





Mexico: Mexican beef production has been flat the last four months but still above year ago levels. Supply continues to follow seasonal trends, expected to be higher in December to fill year-end holiday demand. November production was estimated at 182,581 MT (carcass weight basis), 2.1% higher than the previous year and 6.5% higher than the five year average. Year to date beef production in Mexico is estimated at 1.933 million MT, 2.3% higher than the previous year. This is ahead of the most current USDA forecast, which pegged beef production for 2021 to increase 2% from the previous year. Currently USDA is forecasting beef production in Mexico for 2022 to increase 3.3% from this year's levels. In part this forecast reflects the continued expansion of the Mexican cattle herd as well as strong demand in export markets, especially the US.

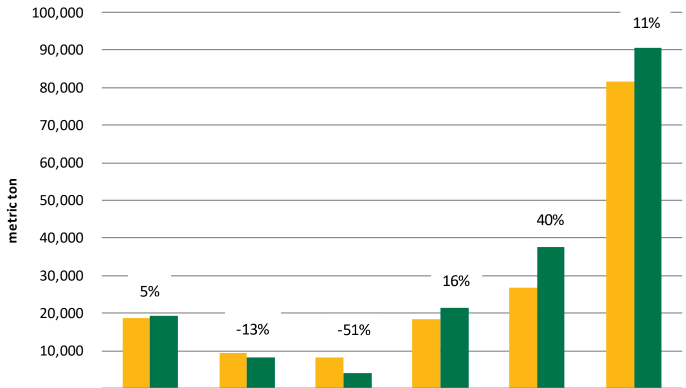
The latest data for Mexican beef exports is available for the month of September, showing shipments for that month at 24,580 MT, 5% higher than the previous year. Export volume for the Jan-Sep period was down 5.7% from the same period a year ago. We think that the export dynamic has shifted in the last two months, with higher imports from Mexico reported in US statistics. Exports to Japan have improved significantly and for the year exports to Japan are expected to be up 35% compared to the previous year and account for almost 7% of overall exports.

US beef imports of Nicaraguan beef, through mid December, were 7% lower than the previous year. Increased competition from Brazil has been a challenge for Nicaraguan suppliers. As the summary table on page 7 shows, imports from Nicaragua through mid December were around 63,000 MT, still well ahead of the volume coming from Brazil. However, the spread is expected to narrow next year. Nicaragua continues to benefit from the lack of quota but price competition remains a major challenge.

North America Trade Statistics

USA Fresh/Frozen Beef Exports

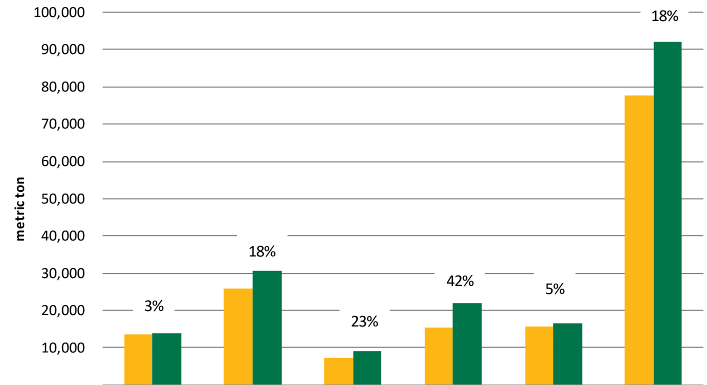
Latest Data for October Units: Metric Tons



	Japan	Mexico	Hong Kong	Korea, South	Other	World Total
Oct-20	18,575	9,374	8,221	18,488	26,880	81,538
Oct-21	19,423	8,123	4,005	21,508	37,601	90,659
Y/Y Diff.	5%	-13%	-51%	16%	40%	11%

USA Fresh/Frozen Beef Imports

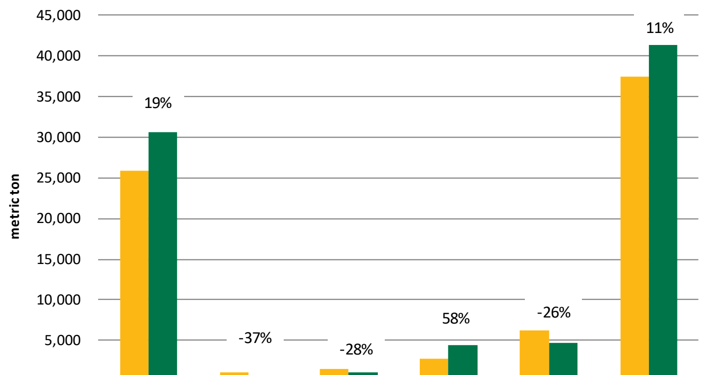
Latest Data for October Units: Metric Tons



	Australia	Canada	New Zealand	Mexico	Other	World Total
Oct-20	13,428	25,812	7,353	15,435	15,606	77,634
Oct-21	13,848	30,586	9,045	21,979	16,453	91,910
Y/Y Diff.	3%	18%	23%	42%	5%	18%

Canada Fresh/Frozen Beef Exports

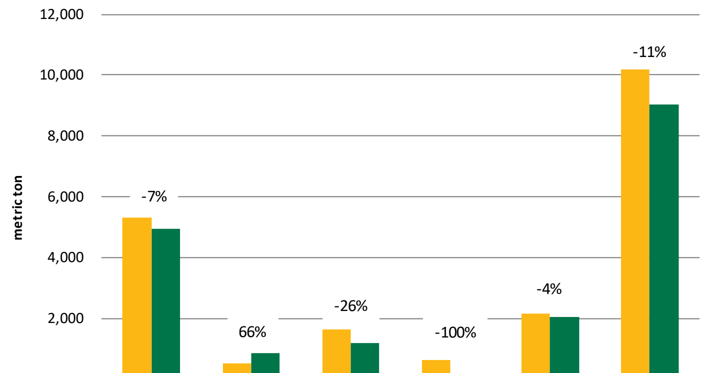
Latest Data for October Units: Metric Tons



	USA	Hong Kong	Mexico	Japan	Other	Total
Oct-20	25,812	1,062	1,507	2,781	6,283	37,445
Oct-21	30,604	671	1,092	4,393	4,645	41,405
Y/Y Diff.	19%	-37%	-28%	58%	-26%	11%

Canada Fresh/Frozen Beef Imports

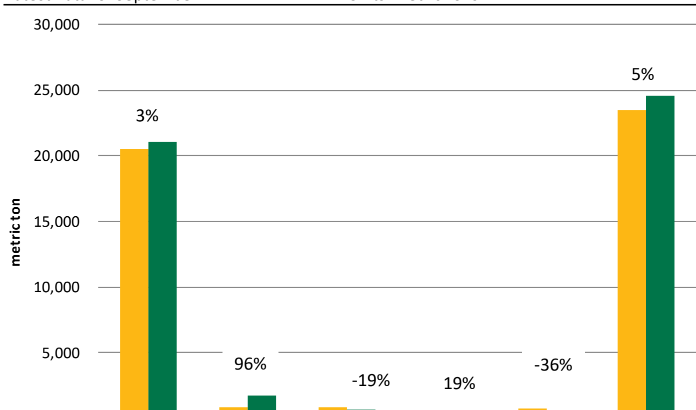
Latest Data for October Units: Metric Tons



	U.S.A.	Australia	New Zealand	Uruguay	Other	Total
Oct-20	5,301	504	1,616	618	2,143	10,183
Oct-21	4,955	839	1,192	-	2,055	9,041
Y/Y Diff.	19%	-37%	-28%	58%	-26%	11%

Mexico Fresh/Frozen Beef Exports

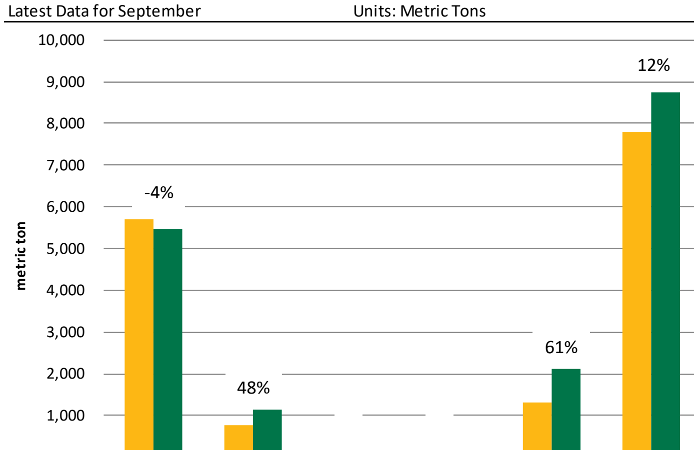
Latest Data for September Units: Metric Tons



	USA	Japan	Canada	South Korea	Other	World Total
Sep-20	20,544	888	830	485	748	23,495
Sep-21	21,113	1,743	670	576	478	24,580
Y/Y Diff.	3%	96%	-19%	19%	-36%	5%

Mexico Fresh/Frozen Beef Imports

Latest Data for September Units: Metric Tons



	USA	Canada	Australia	New Zealand	Other	World Total
Sep-20	5,717	763	0	-	1,322	7,802
Sep-21	5,479	1,128	7	-	2,127	8,741
Y/Y Diff.	-4%	48%			61%	12%

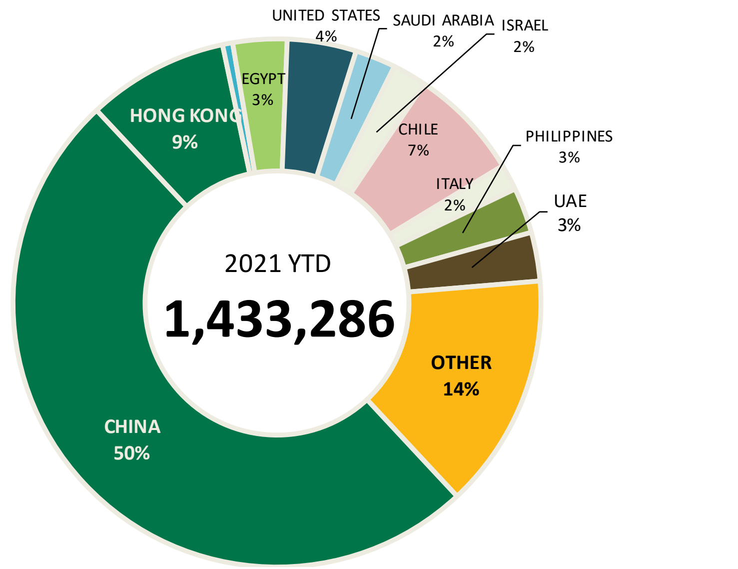
South America Market Update

Brazil: Brazilian beef was shut out of the Chinese market between early September and mid December. In November Brazilian exports to China were zero, resulting in a 52% decline in overall beef exports for the month. Through the first 9 months of the year, we were projecting Brazilian beef exports to be anywhere between 8-12% higher than the previous year. However, with the collapse in trade with China during the last three months, we now think Brazilian beef exports in 2021 could be as much as 11% lower than the previous year. Trade with China is expected to normalize starting in January. A Reuters report in mid December noted that China's customs administration will allow imports of Brazilian boneless beef from cattle less than 30 months old. A large share of beef going to China meets this requirement. Brazil has a traceability program that should allow packers to segregate product and make sure it meets the requirement. Also, almost all beef going to China so far this year has been frozen, boneless beef (HS020230).

The Chinese suspension of Brazilian beef had an immediate impact on slaughter, which was down 30% y/y in September and 21% in October. Initial estimates show slaughter recovering to normal levels in November but we may see some downward adjustments before slaughter fully recovers. Cattle prices by the end of October were as much as 18% lower than at the end of August. However, prices have now fully recovered to pre-BSE levels.

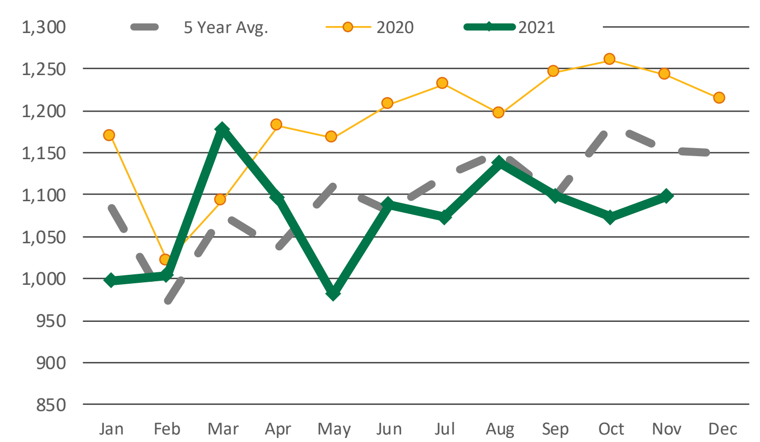
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Nov 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



Argentina: At the start of the year expectations were for Argentine beef exports to increase from the previous year. However, that outlook changed dramatically in June when government initially suspended exports and then introduced new rules that significantly limit the amount of beef going to export markets. The impact of those new rules was evident in the November export data, showing a sharp decline in exports to China, still the top market for Argentine beef. Shipments of fresh/frozen beef to the Chinese market in November were 30,957 MT, 43% lower than the previous year. It should be noted, however, that shipments last November were the highest on record. And yet, the effect of current restrictions is obvious when we look at the splits for the year. Jan-May exports to China were 202,598 MT, up 17% from the previous year. In the six months since then (Jun-Nov), shipments have been a total of 184,799 MT, 27% lower than the previous year. For the year exports to China are now projected to be down 10% and the lowest since 2018.

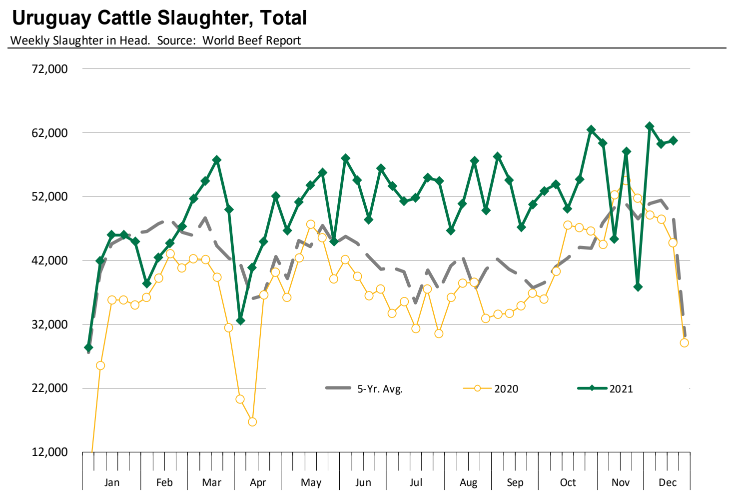
Lack of export business may be encouraging some herd rebuilding. Slaughter has declined sharply in the last six months and in November was estimated at just slightly under 1.1 million head, 12% lower than the previous year. Year to date slaughter at 8.557 million head is down 7.7% lower than the previous year.

Uruguay: Uruguayan producers have sought to capitalize on strong demand in the world market and limited

South America (continued)

shipments from both Argentina and Brazil to the Chinese marker in the last three months. The weak peso has been a contributing factor as well, helping make Uruguayan product more competitive in the world market. Overall exports of fresh/frozen beef in November were 13% higher than the previous year. Exports to China accounted for almost 3/4 of all exports at 28.293 MT, a 19% increase from the already high export volume of last year. In the 11 months for which export data is available, shipments to China were 263,090 MT, 59% higher than the previous year. Exports to previously key export markets remain limited. Shipments to Russia, once a major destination, were just 14 MT in November and less than 2,000 MT for the year. Export shipments to the US market in November were 2,537 MT, 14% lower than the previous year. Through November, total shipments to the US were 33,207 MT, 21% lower than the previous year. While this is still above the 20,000 MT quota for the year, it should be noted that it includes some product that does not count against the fresh beef quota.

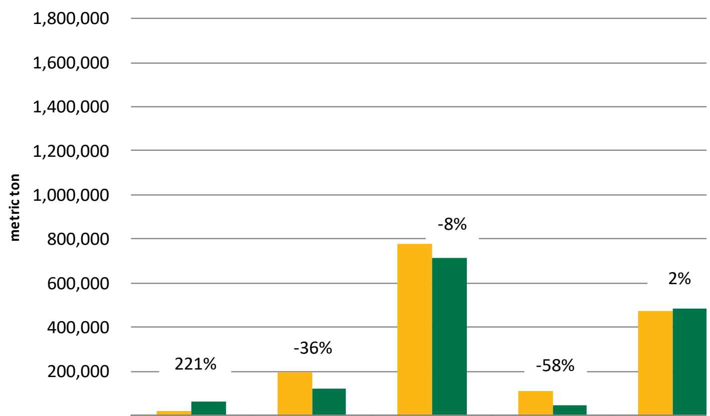
Total cattle slaughter in the four weeks ending December 18 were 14% higher than a year ago and 12% higher than the five year average.



South America Trade Statistics

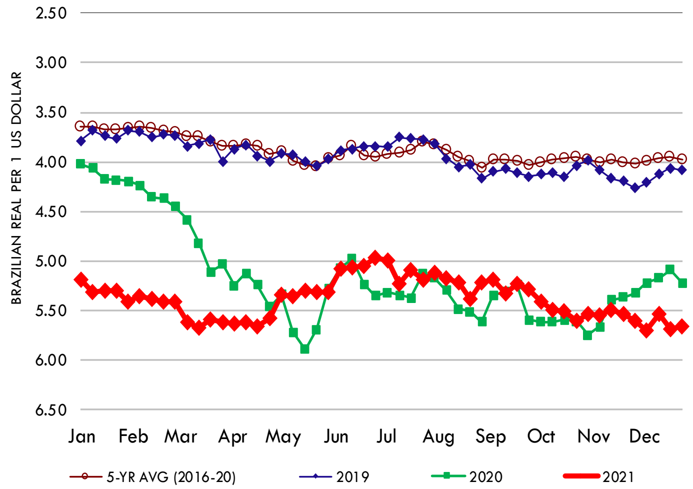
Brazil Fresh/Frozen Beef Exports: Jan - Nov

Latest Data for November



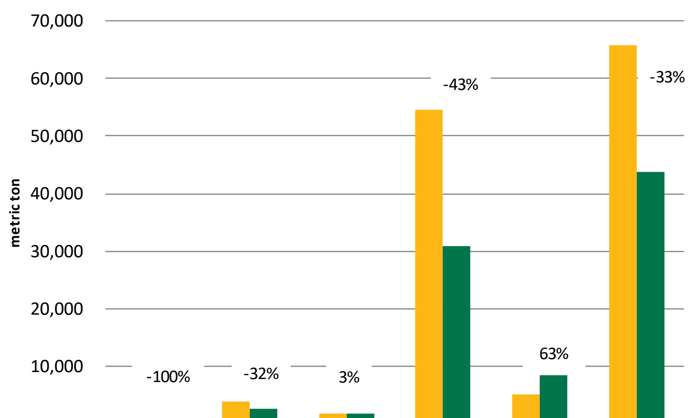
	United States	Hong Kong	China	Egypt	Other
Nov-20	18,890	194,573	780,689	113,470	475,068
Nov-21	60,713	124,214	716,217	47,421	484,722

Brazilian Real Per 1 US Dollar



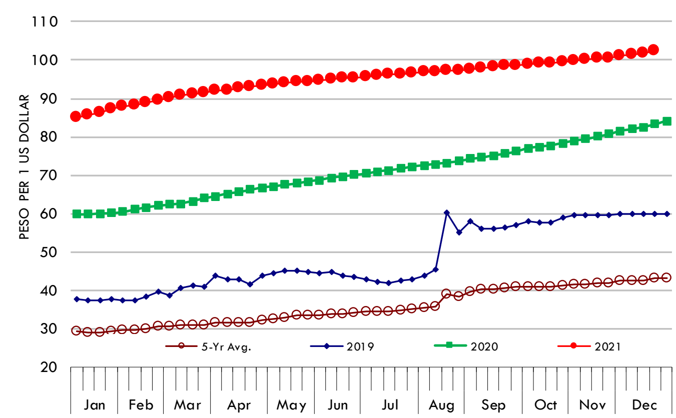
Argentina Fresh/Frozen Beef Exports

Latest Data for November Units: Metric Tons



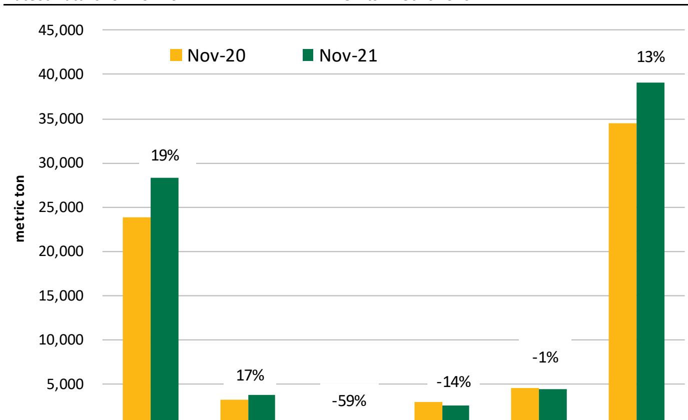
	Russia	Chile	Israel	China	Other	Total
Nov-20	425	3,800	1,788	54,623	5,134	65,769
Nov-21	-	2,597	1,834	30,957	8,380	43,768

Argentine Peso Per 1 US Dollar



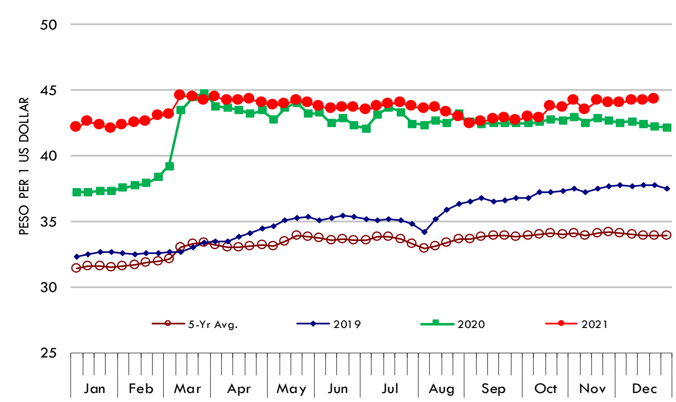
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Nov 2021 Units: Metric Tons



	China	EU	Russia	US	Other	Total
Nov-20	23,842	3,219	34	2,941	4,486	34,522
Nov-21	28,293	3,775	14	2,537	4,460	39,079

Uruguay Peso Per 1 US Dollar

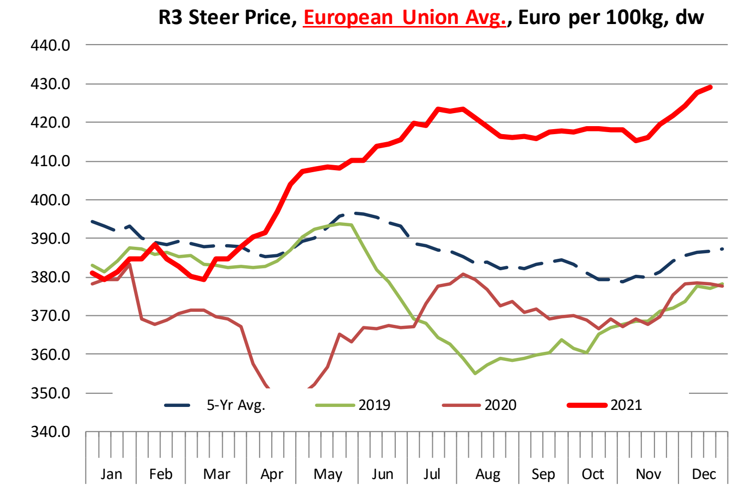


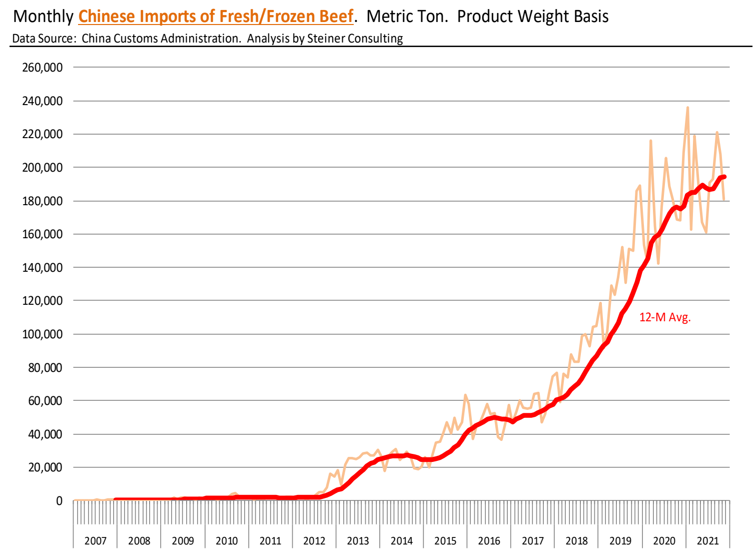
Asia / EU Market Update

European Union: Cattle and beef prices in Ireland remain well ahead of year ago levels, and the outlook is for firm prices to persist in 2022. That expectation is based on forecasts for improved economic growth, fewer COVID restrictions, and lower cattle numbers. Slaughter remains below year ago levels and combined with better demand it has underpinned higher prices, especially in the second half of the year. Cattle slaughter in the four weeks ending December 12 averaged 35,336 head/week, down 1.5% from the previous year. Producers continue to limit the number of female cattle going to market, especially heifers. Heifer slaughter during the last four weeks averaged 10,440 head/week, down 6.4% compared to a year ago. Year to date heifer slaughter is down almost 44k head or 8.7% compared to the same period a year ago. Cow slaughter was up in the last four weeks but year to date cow slaughter is still about 5% lower than the previous year.

October exports of fresh/frozen Irish beef were estimated at 32,253 MT, 9% lower than the previous month and 2% less than a year ago. Exports to Great Britain, still the top market, continue to drift lower. In October shipments to Great Britain were 13,243 MT, 1,356 MT or 9.3% less than the previous year. Some of this reduction is offset by higher exports to Northern Ireland, with product likely finding its way back to England but avoiding the higher tariffs. Export to Northern Ireland were 3,125 MT, 868 MT or 39% higher than a year ago. Shipments to other EU countries were mixed, with exports to France up 21% from a year ago and the biggest market for Irish beef on the Continent. Exports to Germany and Italy, on the other hand, were down 7% and 9%, respectively. Exports to the US remain minimal, with October shipments at just 479 MT, down 46% compared to a year ago.

China/Japan/S. Korea: Chinese beef imports in November were up 7% even as imports from Brazil dropped 43% from the previous year. We think December imports will see an even bigger decline given that Brazil showed no shipments to China in November. The extended suspension of Brazilian product has caused us to make some adjustments to our forecasts for the year. However, what it has done is to bring forecasts back to where they were at the start of the year, up around 8-9%. Before the suspension imports were up by double digits. With Brazilian beef imports sidelined, Chinese buyers sought to source





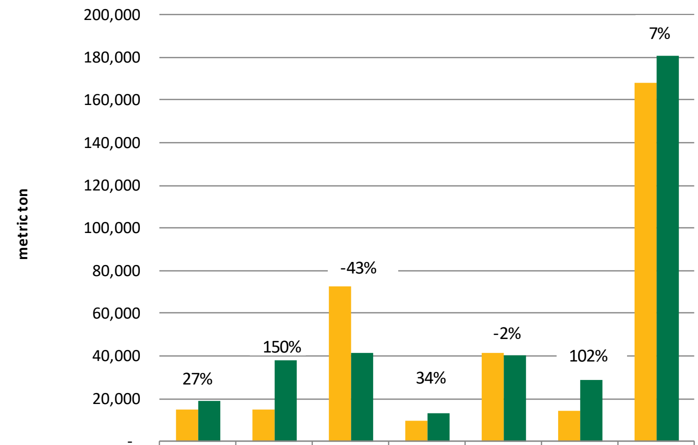
more product from other markets, with Uruguay, USA and Oceania three main areas of focus. Imports from Uruguay in November were 37,776 MT, up 22,471 MT or 147% higher than the previous year. Imports from the US were 13,595 MT, up almost 8,500 MT or 165% from a year ago. Imports from Australia and New Zealand also increased 27% and 34%, respectively. Imports from other markets are relatively small but they incrementally have helped bolster imported beef availability. For instance, November imports of beef from Belarus were 3,695 MT compared to just 743 MT a year ago. Imports from Ukraine, Bolivia and even Costa Rica were higher in November, we think in part driven by the lack of Brazilian product.

Asia / EU Trade Statistics

COVID disruptions and record prices in key supplying countries have negatively impacted the amount of beef imported by Japan this year. Total beef imported in November was estimated at 42,651 MT, 14% lower than the previous year. During the Jan-Nov period, imports were down 2%. Lack of product availability from Australia and high prices resulted in November imports declining 18% from the previous year and down 9% for the year. Imports from the US, the second largest beef supplying country, were 15,715 MT in November, 31% lower than the previous year. Through November, Japanese imports of US beef were 8% lower than a year ago. Japan has been buying more beef from New Zealand (+37% YTD) and Canada (+35%) YTD. Lack of imports and limited domestic supply has resulted in a significant decline in domestic beef consumption. In October beef consumption was 12% lower than the previous year and it has averaged down 7% for the Jan-Oct period.

China Fresh/Frozen Beef Imports

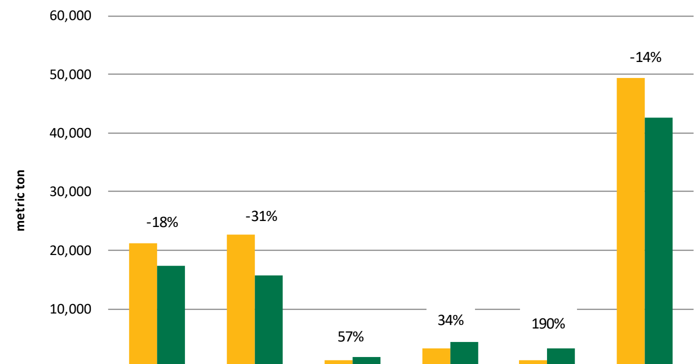
Data for November Units: Metric Tons



	Australia	Uruguay	Brazil	New Zealand	Argentina	Other	Total
Nov-20	14,920	15,135	72,855	9,649	41,203	14,332	168,093
Nov-21	18,885	37,776	41,668	12,936	40,363	28,957	180,586

Japan Fresh/Frozen Beef Imports

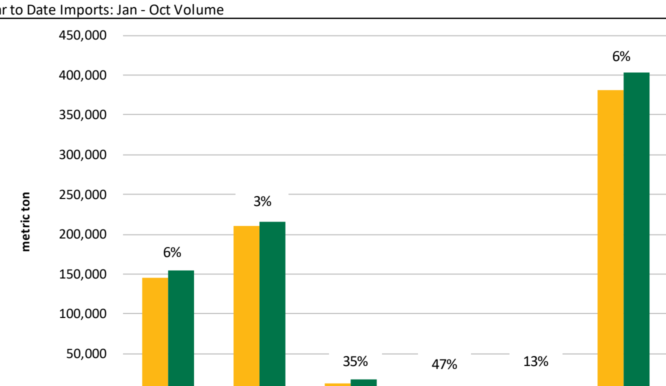
Latest Data for November Units: Metric Tons



	Australia	USA	New Zealand	Canada	Other	Total
Nov-20	21,179	22,653	1,187	3,261	1,155	49,435
Nov-21	17,339	15,715	1,864	4,383	3,350	42,651

South Korea Fresh/Frozen Beef Imports

Year to Date Imports: Jan - Oct Volume



	Australia	USA	New Zealand	Canada	Other	Total
2020 YTD Jan - Oct	145,507	210,133	12,928	5,319	7,427	381,314
2021 YTD Jan - Oct	153,849	216,297	17,490	7,842	8,403	403,881

Oceania Update

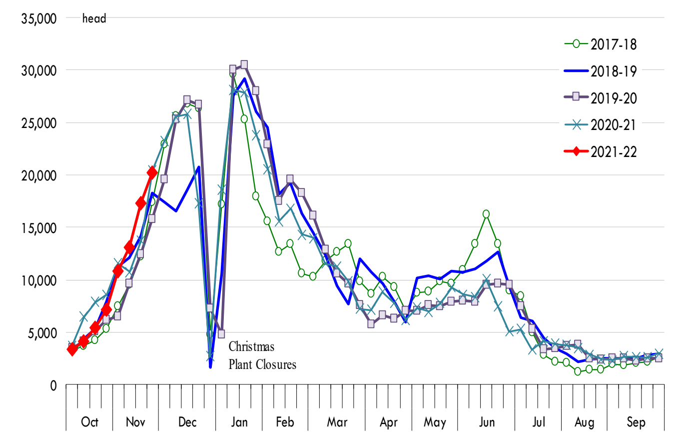
New Zealand: New Zealand slaughter in November averaged around 53,200 head per week, about the same level as a year ago but 24% higher than two years prior. Bull slaughter has been trending higher, in line with the seasonal trend at this time of year, averaging 15,383 head/week in November, 9% higher than a year ago and 38% higher than in 2019. Cow slaughter, on the other hand, has been well below normal, likely a function of very strong dairy prices. November cow slaughter averaged 8,071 head/week, 15% lower than last year and 12% lower than in 2019.

New Zealand beef exports in November were 33,573 MT, 2% higher than a year ago. Exports to the US market remain limited, in part due to ongoing transportation issues. Beef shipments to the US in November were just a little over 8,000 MT, 11% lower than a year ago. Exports to China, on the other hand, were 15,000 MT, 4% higher and exports to Japan at 2,455 MT were up 32% compared to last year. Year to date New Zealand exports are up 8% from a year ago.

Australia: Australian official export statistics for November were lower than the previous year and down double digits from 2019. Record high cattle prices and a collapse in packer margins have significantly impacted slaughter and exportable supply. Exports to the US were much lower than expected, and we think this is in part due to the way in which Australia manages its TRQs for US beef. When we inquired why the numbers were low, especially the numbers reported in early December, we received the following response: "The reason the numbers for EU Sheepmeat and USA Beef are low is due to the fact that our reporting is linked to the management of tariff rate quotas to the USA and the EU. All sea freights leaving in December would be arriving in 2022, which will require a 2022 quota certificate. So there is a very large portion of EU Sheepmeat and US Beef currently on hold in our system." There has been no update of Australian December export numbers since early this month. Maybe COVID has disrupted the normal course of business and we hope that export statistics for the month of December will be released as usual. In November, Australian exports of beef and veal were 75,712 MT, 5% lower than last year's levels and 27% lower than in 2019. Exports to the US were 8,227 MT, 14% lower than in 2020 and 40% lower than in 2019. Exports to China are far below their peak a couple of years ago but they were still higher than what Australian sent to the US. Total shipments to China were

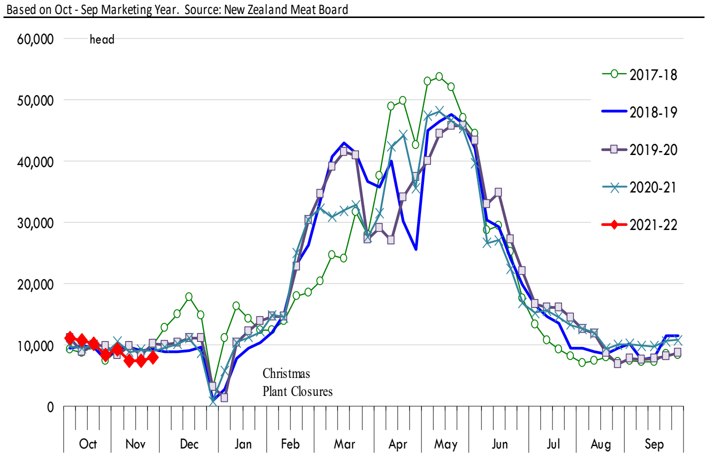
New Zealand Weekly Bull Slaughter

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



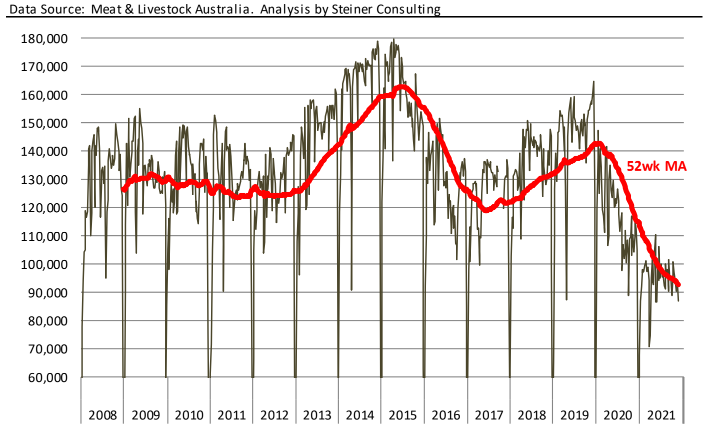
New Zealand Weekly Cow Slaughter

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

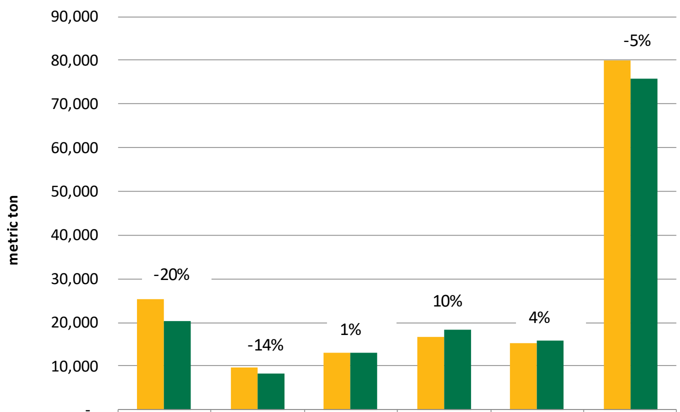


Oceania Statistics

13,157 MT, about the same as a year ago but 62% lower than in November 2019. Japan was the top market for Australian beef in November, with shipments pegged at 20,239 MT. But this volume was 20% lower than a year ago and 15% lower than in 2019. The best performing market remains S. Korea. Shipments in November were 18,238 MT, 10% higher than a year ago and 40% higher than in 2019.

Australia Fresh/Frozen Beef Exports

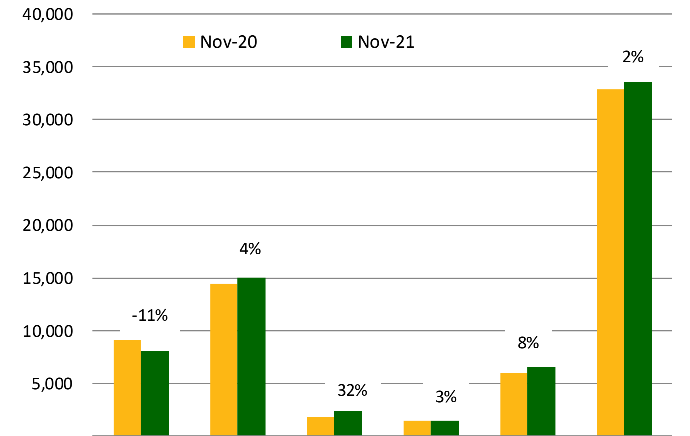
Latest Data for November Units: Metric Tons



	Japan	USA	China	Korea, South	Other	Total
Nov-20	25,422	9,596	13,064	16,559	15,306	79,947
Nov-21	20,239	8,227	13,157	18,238	15,852	75,712
Y/Y Diff.	(5,183)	(1,369)	93	1,679	546	(4,235)

New Zealand Fresh/Frozen Beef Exports in November

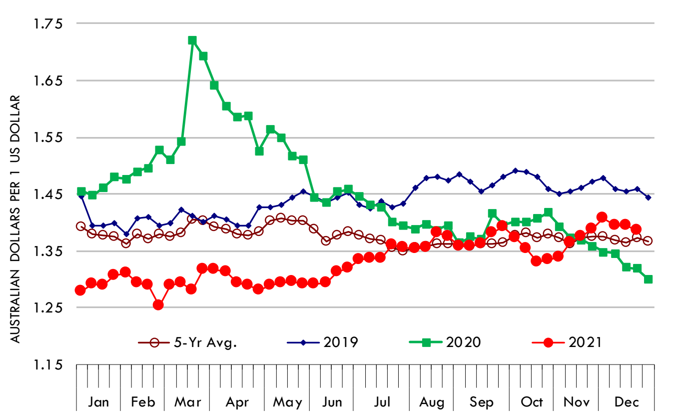
Source: Statistics NZ Units: Metric Tons



	US	China	Japan	South Korea	Other	Total
Nov-20	9,096	14,447	1,854	1,486	6,018	32,901
Nov-21	8,057	15,012	2,455	1,533	6,516	33,573
Y/Y Diff.	(1,038)	565	602	46	498	672

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