

Global Beef Market Monthly Review

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Volume 5, Issue 9

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Highlights:

-Chinese beef imports slowed down significantly during the spring and summer but, given the pace of imports earlier in the year, total imports for 2023 are still expected to be up 5% vs. 2022. In August Chinese beef imports were down 3% from a year ago. Lower imports from Brazil are expected to limit imports in Sep/Oct as well.

-Slaughter in Argentina was significantly higher than a year ago during the first half of 2023. Drought, a weak currency and strong demand in the world market encouraged the higher slaughter pace and exports. Exports in August were up 15% but we expect the pace of shipments to slow down as slaughter numbers have returned to last year's levels.

-Brazilian beef exports in August were down 9%, largely due to less beef going to China. The slowdown in exports and double digit increase in slaughter resulted in significant downward pressure on Brazilian cattle prices between April and August. More recently, however, cattle prices have rebounded, up 20% in the last two weeks alone. Expectations are for Brazilian cattle inventories to decline in the next 18-24 months, limiting production growth.

-US beef supplies remain limited, a function of the lower calf crop the last few years and lower overall inventories. Cow-calf producer margins have improved, and they are expected to match the previous cycle highs in 2024. Weather remains a wild card for producers. Producers are hoping that a strong El Nino will bring moisture to major cattle production regions during the winter and spring. The potential is for cattle supplies to decline significantly in 2024. Our current forecast is for US slaughter in 2024 to be down 7.4% from a year ago.

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

Data sources: Various. Analysis and Forecasts by Steiner Consulting

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Countries	% of global trade	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.		2022	2023 Estimate	Y/Y Ch.	Y/Y % ch.
EXPORTS						5,123,269	5,204,657	81,388	2%
Australia	11%	Aug 2023	102,351	10,272	11%	854,593	1,068,241	213,648	25%
Argentina	6%	Aug 2023	65,878	8,397	15%	635,517	702,247	66,729	11%
New Zealand	6%	Aug 2023	41,466	556	1%	497,609	516,518	18,909	4%
Brazil	20%	Aug 2023	185,365	-17,866	-9%	1,996,585	1,926,752	-69,833	-3%
USA	14%	Jul 2023	76,578	-21,919	-22%	1,138,964	990,899	-148,065	-13%
IMPORTS						4,903,092	5,086,773	183,681	4%
USA	15%	Jul 2023	102,820	18,605	22%	1,083,310	1,115,810	32,499	3%
China	30%	Aug 2023	265,804	-7,248	-3%	2,688,643	2,823,075	134,432	5%
Hong Kong	4%	Aug 2023	7,319	-513	-7%	96,565	98,980	2,414	2%
Japan	8%	Aug 2023	45,669	-7,863	-15%	560,154	542,229	-17,925	-3%
S. Korea	6%	Aug 2023	42,884	-23,039	-35%	474,419	506,679	32,260	7%

*** Product wt. basis. Projections for 2022 made by Steiner Consulting.

North America Market Update

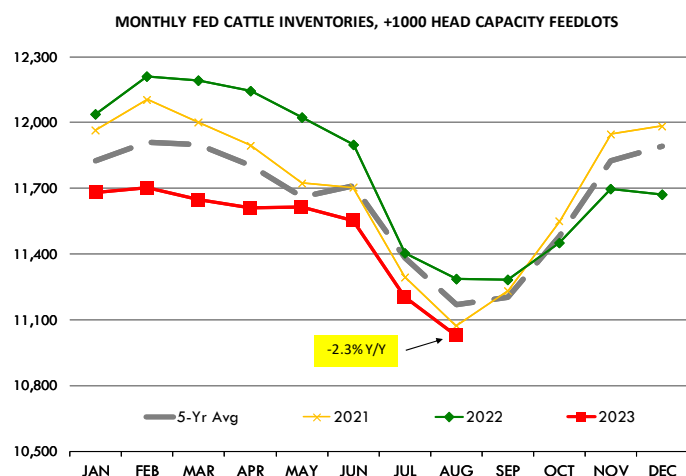
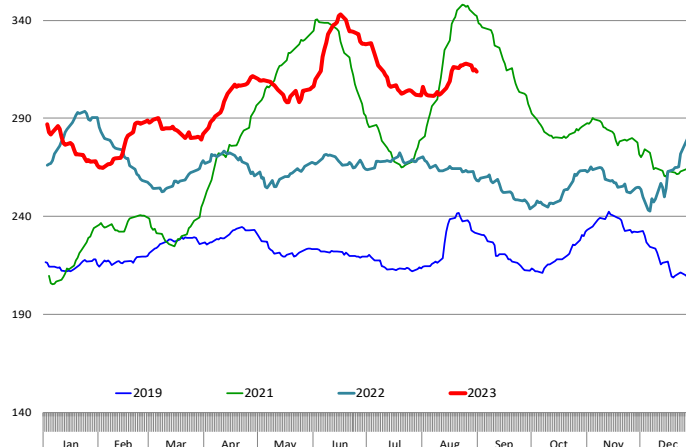
United States: Cow US Cow and bull slaughter remains limited. Slaughter for the week ending September 30 was 136k head, down 8% from a year ago and 3.7% compared to 2021. The breakdown of cow slaughter figures is reported with a two week lag but it shows that dairy slaughter is close to year ago figures while beef cow slaughter is running around 15% under last year. The dairy cow herd has declined modestly following higher slaughter in Q2 and for now we think dairy cull rate will be close to what it was last year. Cheese prices have declined but higher dry milk prices in the world market and still very strong butterfat values should help stabilize that market. Beef cow slaughter may be lower than last year but relative to the beef cow herd the cull rate is still above long run trends. We have quite a ways to go in terms of reducing the cull rate, something that will depend on precipitation this coming winter and next spring. Current calculations put cow-calf returns for 2024-25 at levels comparable to 2014-15 in inflation adjusted dollars. There will be a very strong incentive to rebuild but weather and structural issues (land cost, urbanization, producer age) could impact herd rebuilding in the next two years.

On September 1, the total cattle on feed inventory in feedlots with +1000 head capacity stood at 11.094 million head, a 0.6% increase from the previous month but a 2.2% decrease from last year, slightly less than the anticipated 2.4% decline. Front end supplies remain lower than last year, with an even more pronounced impact expected later in the year due to low placements this fall. Cattle on feed for over 120 days numbered 4.108 million head, down 2.6% from the previous year. Those on feed for more than 150 days amounted to 2.401 million head, a 2% decrease from last year. Placements from March to May were slightly higher than the previous year, leading to a modest improvement in front end supply, which is expected to change in Q4 and early next year due to recent low placements.

In addition to fewer cattle in feedlots, cold storage warehouses are also reporting less beef in inventory, a function of lower exports and lower slaughter. The total supply of beef in cold storage at the end of August was 421.6 million pounds, 17.9% lower than a year ago and 10.3% lower than the five year average. Inventories increased 2.7% vs. the previous month. In the last five years August inventory has increased an average of 2.5%. The inventory of boneless beef at the end of August was 383.2 million pounds, 17% lower than a year ago. The inventory of bone-in beef cuts at 38.4 million pounds was 25% lower than a year ago. We see this as supportive for rib prices in Nov/early Dec.

Beef Choice Cutout Value

Daily Prices: \$/cwt. Source: USDA-AMS Mandatory Price Reporting Service. Analysis by Steiner Consulting



Mexico: The strong Mexican peso, a slowdown in production growth and more feeder cattle moving up north have likely all contribute to a slowdown in Mexican beef shipments to the US market. According to weekly US import statistics, through mid September US imports of Mexican beef were down 10% from the previous year. Weekly imports in July and August averaged 8.5% vs. the previous year. Normally US imports of Mexican beef increase in late September and October as supply in Mexico increases (see chart). Mexican beef production in August was 189,596 MT, 2% higher than a year ago. This compares to an average 174,500 MT earlier in the year. Expectations are for production to hover around 190-191k MT/month during the fall, which should help bolster supply availability at a time that US market struggled with elevated beef prices and a shortfall of supply in some areas.

US imports from Central American countries continue to track below year ago levels and availability has declined significantly in the last two months. Since July, weekly im-

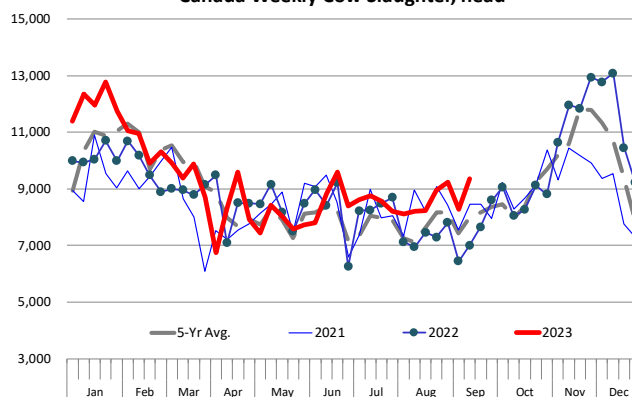
North America (continued)

ports from Nicaragua, Honduras and Costa Rica were down a total of 2,173 MT (-17%) compared to a year ago.

Canada: Little has changed with respect to drought and feed availability in Western Canada and this continues to drive the pace of cow slaughter. According to Canadian statistics, cow slaughter in the four weeks ending September 16 was a total of 35,803 head, 7,273 head (+25.5%) higher than a year ago and 12.7% higher than the five year average. Through mid September, cow slaughter in Canada is up 7.4% from a year ago. Different from the US where improved pasture conditions and a smaller beef cow herd have resulted in fewer cull cows coming to market, in Canada cow herd liquidation remains in full swing. There is plenty of uncertainty about cull cow supplies in Q4 given the high rate of slaughter so far. In 2021 cow slaughter peaked at a much lower point due to liquidation earlier in the year while in 2022 the opposite happened. Weather conditions will play a key role this year although our working theory is that this will be closer to 2021 than 2022.

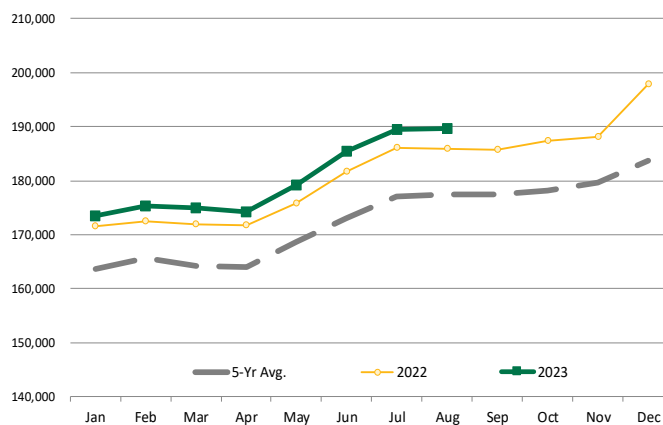
Beef imports through September 30 were 1.5% higher than a year ago. Imports of fresh beef, largely from the US were 57,670 MT, 4.5% higher than a year ago while imports of frozen beef at 46,171 MT were up less than 1%. Total imports from New Zealand were just a little under 12,000 MT, well short of the 29,600 MT country specific TRQ. Imports from Australia at 9,463 MT were 13% higher than a year ago. Available TRQ for Australia is 35,000 MT.

Canada Weekly Cow Slaughter, head

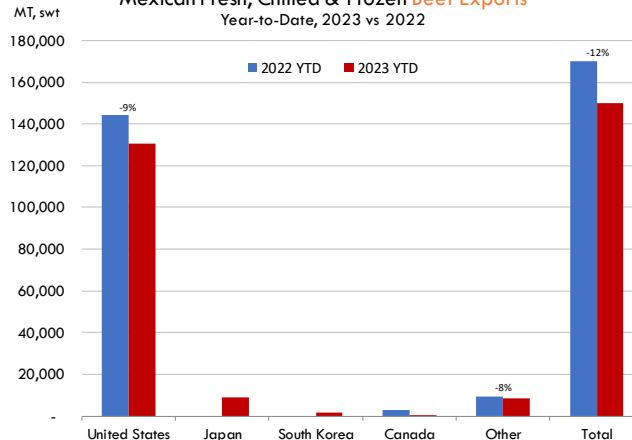


Mexico Beef Production

Source: SAGARPA



Mexican Fresh, Chilled & Frozen Beef Exports
Year-to-Date, 2023 vs 2022

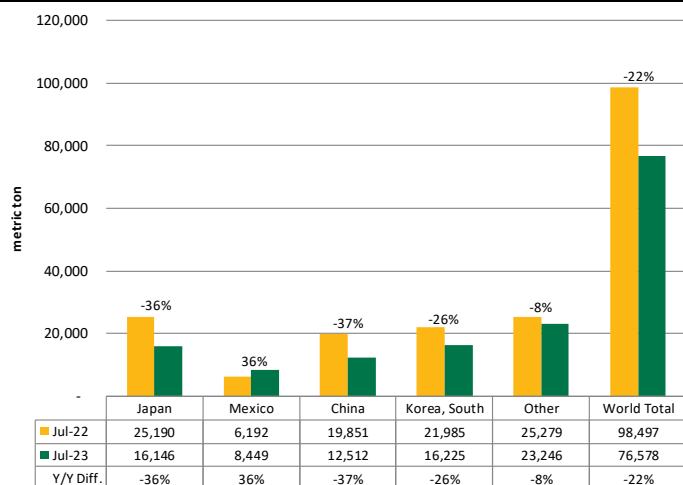


North America Trade Statistics

USA Fresh/Frozen Beef Exports

Latest Data for July

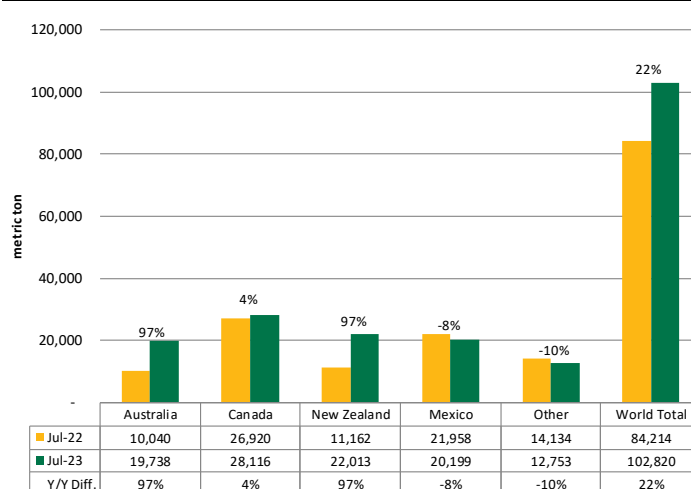
Units: Metric Tons



USA Fresh/Frozen Beef Imports

Latest Data for July

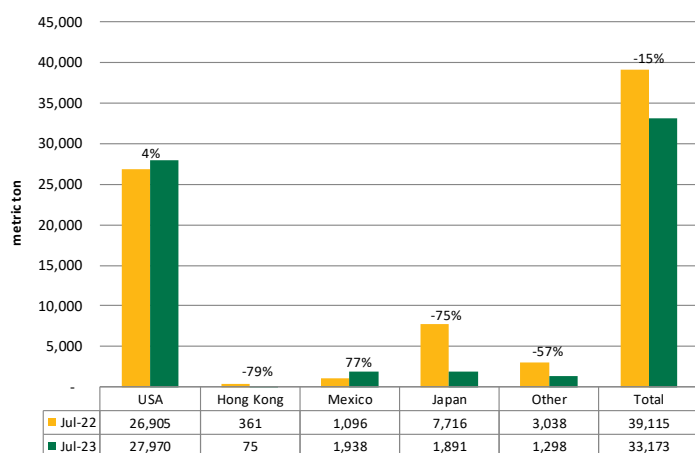
Units: Metric Tons



Canada Fresh/Frozen Beef Exports

Latest Data for July

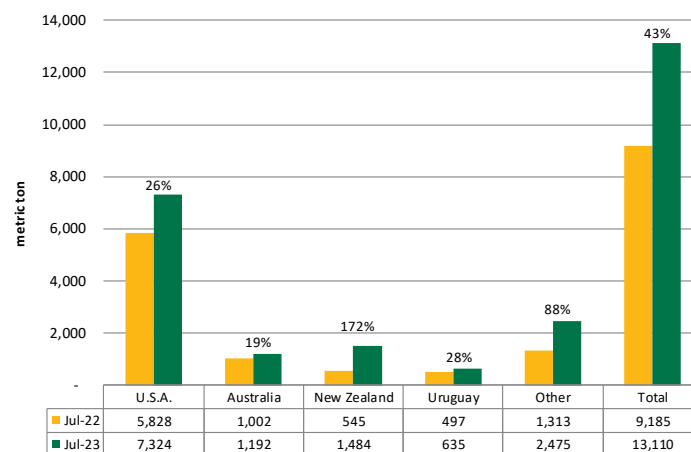
Units: Metric Tons



Canada Fresh/Frozen Beef Imports

Latest Data for July

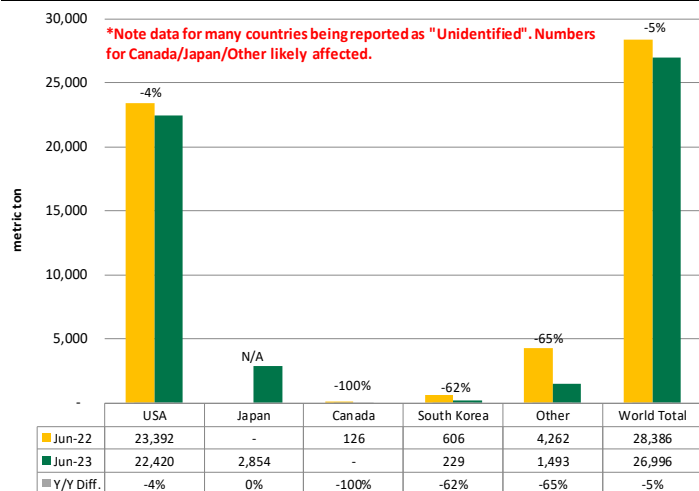
Units: Metric Tons



Mexico Fresh/Frozen Beef Exports

Latest Data for June

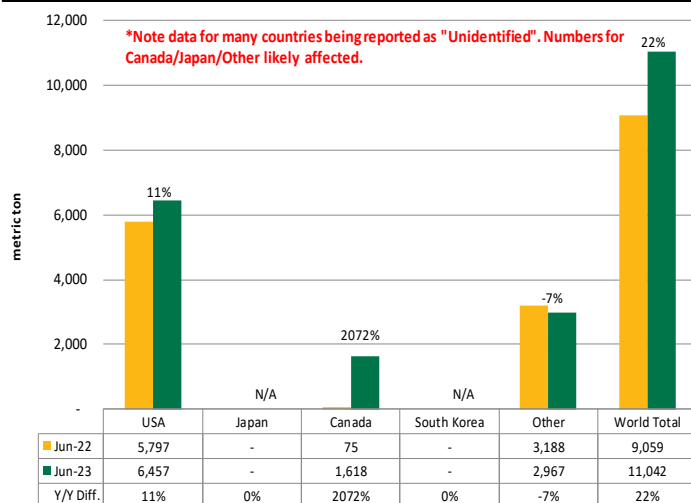
Units: Metric Tons



Mexico Fresh/Frozen Beef Imports

Latest Data for June

Units: Metric Tons



South America Market Update

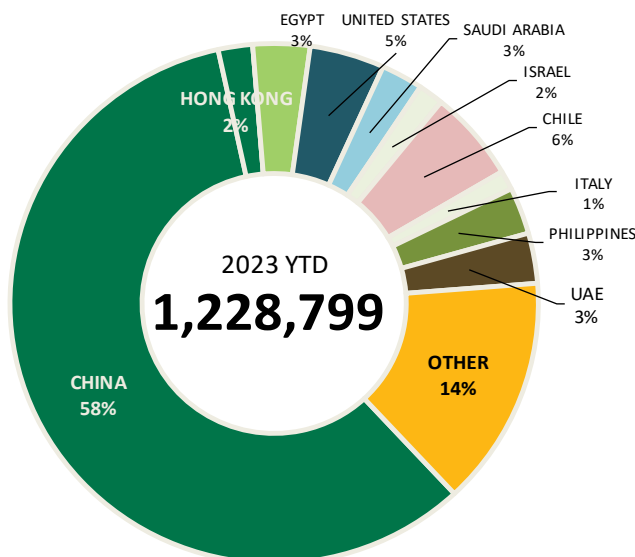
Brazil: Brazilian cattle slaughter remains above year ago levels, reflecting the steady increase in inventory of the last few years. USDA thinks that the high rate of slaughter will impact supply availability, with inventories in January 2024 expected to be modestly lower than what they were in 2023. Initial estimates for August slaughter peg it at +9% vs. year ago and in the last three months up 8% y/y. Earlier in the year forecasts were for Brazilian cattle slaughter to be up 3.7% vs. 2022. That estimate has been revised up and it is currently expected to be up 7.8%. With more cattle showing up for slaughter prices were under pressure for much of the last three months. However, prices for finished cattle have increased by 20% in the last three weeks, in part because of a slowdown in slaughter but also seasonal improvement in domestic demand during this time of year.

Exports of fresh/frozen beef in August were estimated at 185,365 MT, 9% lower than a year ago. As China is the top market for Brazilian beef it also accounted for much of the decline in shipments. Total exports to China in August were 114,535 MT, 16k MT (-12%) lower than a year ago. Year to date shipments to China were down a little over 62k MT, down 8% vs. previous year. Shipments to the US market increased 46% in August to 3,366 MT. It is not clear how much of this supply went into commerce, however. Current projections are for Brazilian beef exports to the US to be around 86k MT in 2023, 3% less than in 2022.

Argentina: Cattle slaughter has been trending lower and expectations are for slaughter to decline further in Sep/Oct, similar to what happened a year ago. Drought conditions earlier in the year resulted in significant liquidation but improving weather conditions are expected to limit slaughter in the spring and early summer. Total slaughter in August was 1.233 million head, down from as high as 1.318 million two months ago and just 1.7% higher than a year ago. Exports have been flying high so far, fueled by the sharp increase in slaughter and continued devaluation of the Peso. Total shipments of fresh/frozen beef in August were 65,878 MT, 15% higher than a year ago. China remains the top market for Argentine beef, with shipments in August near 50k MT, 20% higher than a year ago. Year to date shipments to China estimated at a little over 360k MT, 10% higher than a year ago. Robust demand in the US market and strong US dollar continue to drive shipments to this market even as TRQ will limit overall volume. Total shipments in August were 3,430 MT, more than double last year's volume. Through August shipments to the US market were 16,389 MT, 28% higher than a year ago. We are currently projecting shipments to the US to be around 24k MT for the year, with some supply likely going into bond and released against next year's quota.

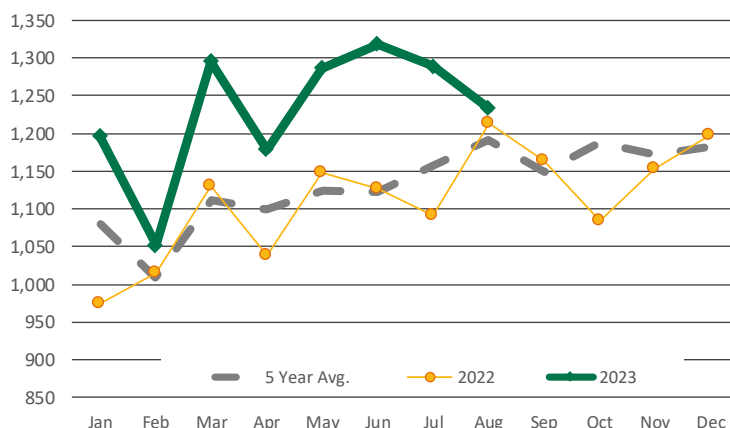
YTD Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Aug



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: MAGYP. Analysis by Steiner Consulting



Uruguay: Slaughter has normalized and it is currently tracking near year ago levels. Seasonally slaughter improves in late spring and summer and that's expected to be the case again this year. In the four weeks ending September 23 total cattle slaughter averaged 42k head/week, 2.2% higher than a year ago and 2.5% higher than the five year average. Steer slaughter during this period averaged 17,522 head/week, 18% lower than a year ago while cow slaughter at 17,846 head/week was 29% above last year's levels. Cattle inventory for January 2023 was initially estimated at 11.740 million head but recently USDA country report revised up that figure to 11.795 million, 1.2% higher than in 2022. USDA made no update to its estimate for the calf crop but expects it to increase by 250k head (+10%) in 2024. A mild winter and good pasture conditions

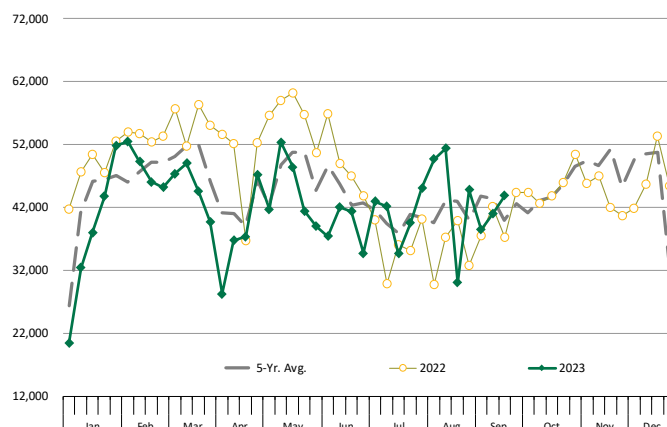
South America (continued)

in the spring and summer are expected to drive the improvement in productivity.

Exports In August were robust, in part thanks to a surge in slaughter earlier in the month. Total shipments of fresh/frozen beef were 29,355 MT, about 3,100 MT (+12%) compared to a year ago. Shipments to China were flat at 17,115 but so far this year they have been 27% lower than last year's levels. Exports to the US market remain robust. Shipments through August were 31,620 MT, 4,821 MT (+18%) vs. year ago.

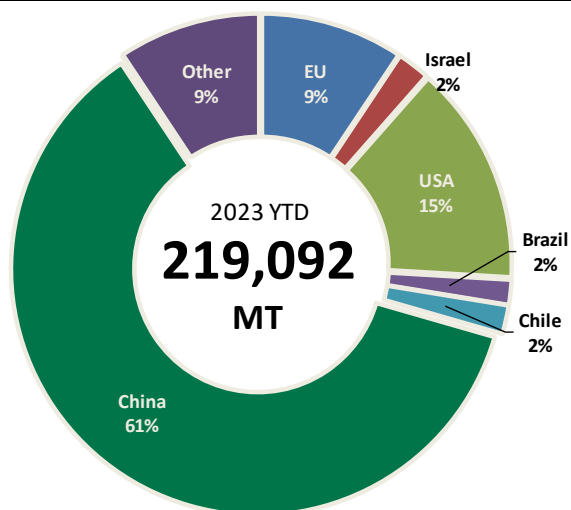
Uruguay Cattle Slaughter, Total

Weekly Slaughter in Head. Source: World Beef Report



YTD Uruguayan Exports of Fresh/Frozen Beef. Top Markets

Source: World Beef Report. Analysis by Steiner Consulting

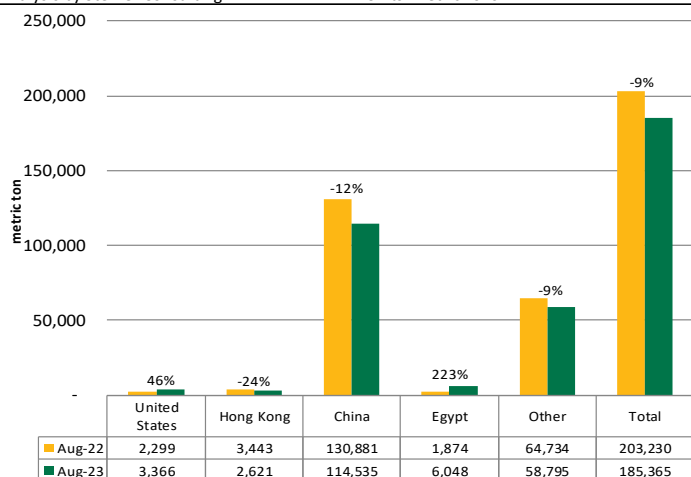


South America Trade Statistics

Brazilian Fresh/Frozen Beef Exports in August 2023 vs. August 2022

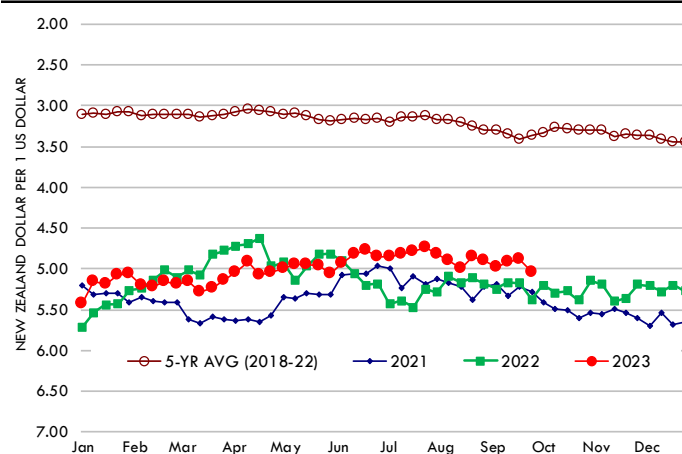
Analysis by Steiner Consulting

Units: Metric Tons



Brazilian Real Per 1 US Dollar

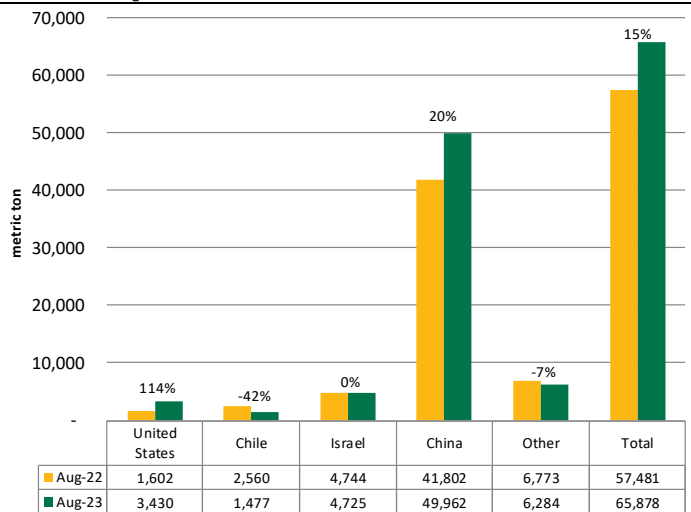
Y/Y Comparison of Weekly Exchange Rate



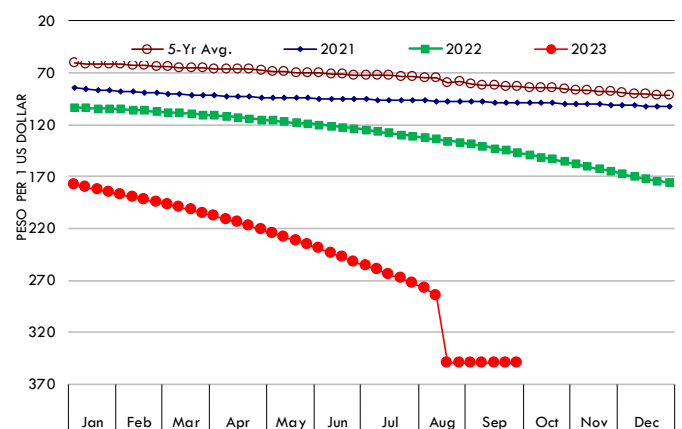
Argentina Fresh/Frozen Beef Exports

Latest Data for August

Units: Metric Tons



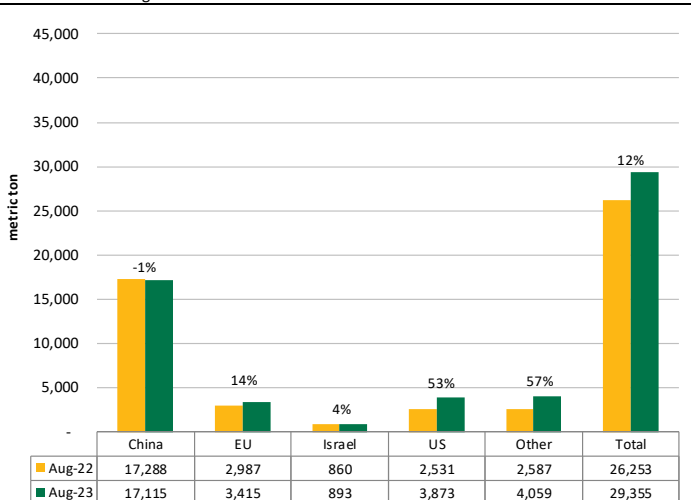
Argentine Peso Per 1 US Dollar



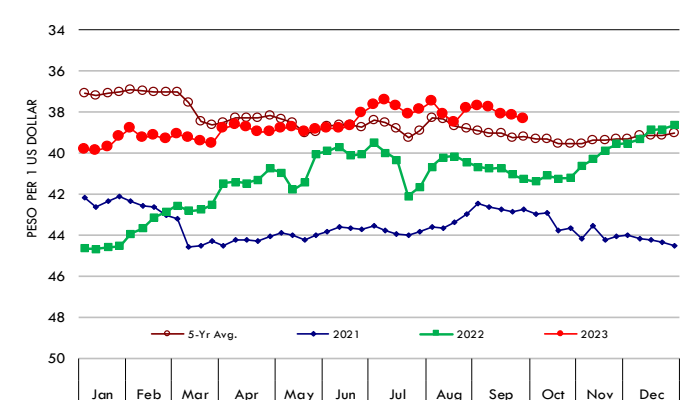
Uruguayan Fresh/Frozen Beef Exports

Latest Data is for August 2023

Units: Metric Tons



Uruguay Peso Per 1 US Dollar

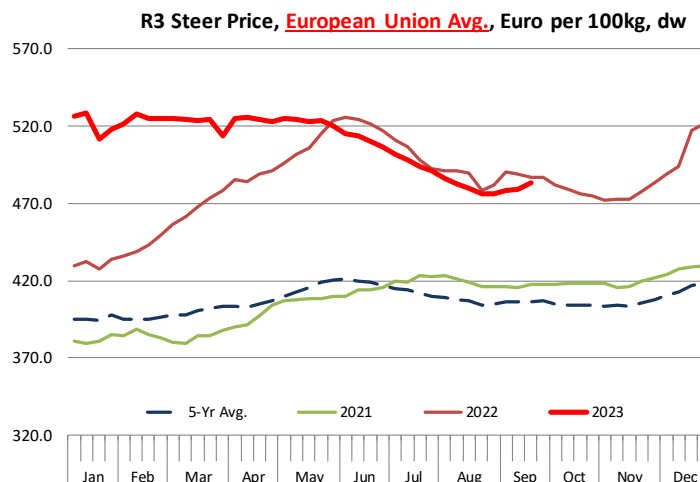


Asia / EU Market Update

European Union: Beef production in the EU remains well below year ago levels, a function of a smaller inventory. Through June, production in the EU was down 4.5% from a year ago. Bull slaughter was down 3.8% while cow slaughter was down 3.9% and heifer slaughter was down 6%. Prices started the year on a very firm footing but have lost ground in the last three months as seasonality and slowdown in economic activity have impacted sales. The average price for R3 steers in the EU was pegged at 4.83 euro per kg, steady with the prices quoted at the end of July and at the same level as a year ago. The average O3 cow price was quoted at 4.11 euro/kg, 6% lower than a year ago.

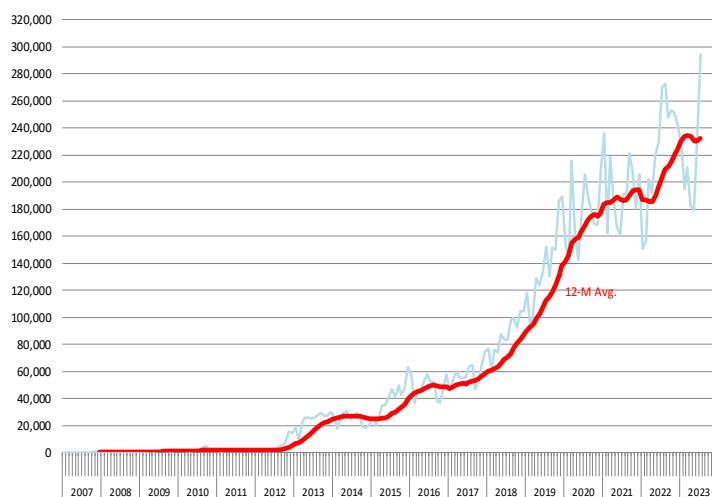
China: Chinese beef imports for August were down 3% y/y. Imports from Brazil were up for the second straight month as imports recover from BSE infections earlier in the year. Imports from Australia continue to rebound following a poor 2022. Australian Imports were up 24% y/y in August, YTD imports from Australia are up 26%. USDA currently expects beef imports to increase by 2.2% following a 14.1% increase in 2023. We think that USDA is overstating the increase in Chinese domestic production and therefore understating demand for imported beef. The Chinese economy is still recovering following COVID lockdowns, and we should see improved beef demand the rest of the year from China. As a result our current forecast is for Chinese beef imports to increase 4.5% in 2023. Chinese beef imports through August are up 5.6% y/y, with 41.1% of total imports coming from Brazil. Ships from Brazil were stopped in early March due to BSE infections but have since resumed. USDA is currently forecasting Chinese domestic beef production to increase 4.4% in 2023 following a 2.8% increase in 2022. The Chinese cattle herd on January 1, 2023 is projected at 101.5 million head, 3.4% higher than the previous year. Both beef and dairy herd numbers are expected to increase at the same rate of 0.4%. We expect the dairy herd to increase at a faster pace while beef cow supply growth continues to be constrained by high feed costs and other resource constraints. The Chinese beef market has become a primary driver for global beef demand and that is expected to continue in 2023.

Japan: Total cattle slaughter in July was estimated at 95,740 head, up 1.3% from the previous year. Domestic slaughter has been consistently higher this year and combined with higher imports earlier in the year it has resulted in a backlog of product. Through July, total cattle slaughter in Japan was 624,617 head, 2.5% higher than a year ago. The trend in beef imports has been mixed but trending lower. August beef imports were



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

Data Source: China Customs Administration. Analysis by Steiner Consulting



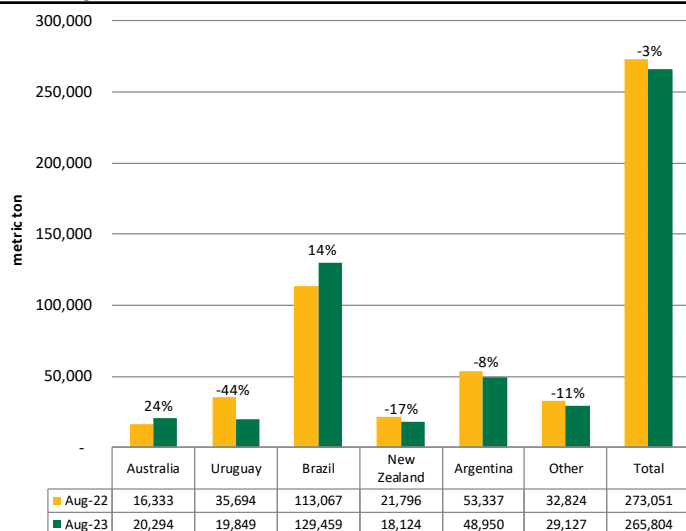
down for the third straight month declining by 15% y/y. YTD imports are now down 7% y/y. Declines were broad based and likely reflected the build up in inventory during late 2022 and first four months of 2023. By the end of April, inventory of imported beef was up 30% y/y. While the slowdown in imports has helped keep inventories in check, we have yet to see a significant drawdown. At the end of July beef inventory was estimated 5.6% above last year's levels. However, this inventory is still just slightly under April/May levels and far higher than normal. With lower exports in August we think inventories have declined further, which should help beef imports to normalize following double digit declines recently. Getting imports to start increasing is a different matter, however, as markets remain well supplied. We have adjusted our import forecasts lower to reflect the current supply situation in Japan.

Asia / EU Trade Statistics

China Fresh/Frozen Beef Imports

Data for August

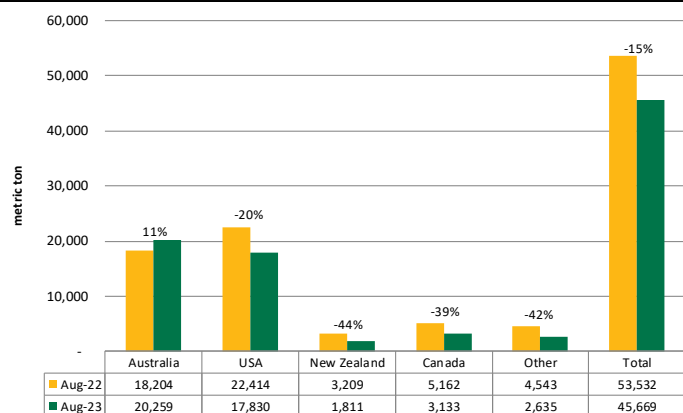
Units: Metric Tons



Japan Fresh/Frozen Beef Imports in August 2023 vs. Previous Year

Analysis by Steiner Consulting

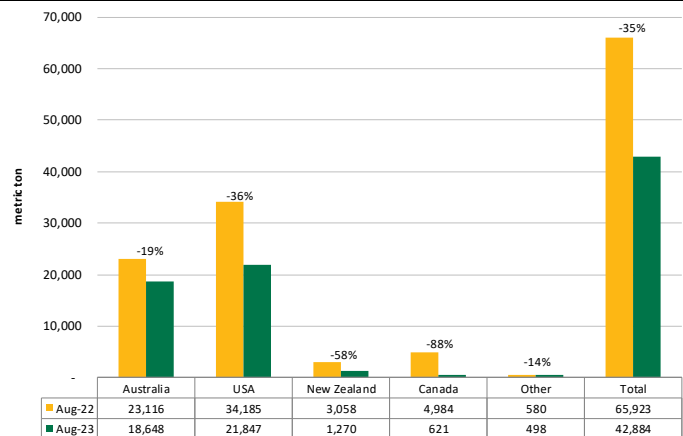
Units: Metric Tons



South Korea - Fresh/Frozen Beef Imports. August 2023 vs. Year Ago.

Source: TDM. Analysis by Steiner Consulting

Data in Metric Ton



Oceania Update

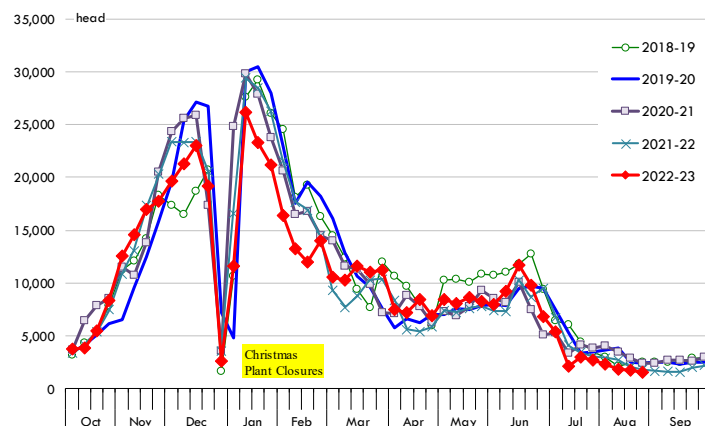
New Zealand: The shift of more New Zealand supplies to the US market continues, reflecting both the slowdown in demand in China and the impact of tight supplies and higher prices in the US. Total shipments of New Zealand fresh/frozen beef in August were 41,466 MT, about 1% higher than a year ago. However, shipments to the US were 13,650 MT, about double what they were a year ago. Shipments to China, on the other hand, were 14,691 MT, down 8,900 MT (-38%). Year to date shipments to the US market were 139,614 MT, 43.5% higher than a year ago and representing 37% of all exports. Shipments to China at 149,249 MT were 6% lower. In addition to shipping less beef to China, New Zealand packers have notably reduced the pace of shipments to Japan and South Korea, down 37% and 28% respectively so far this year.

Australia: Prospects of an intensifying El Nino, a bigger cattle inventory and difficulty in expanding capacity have resulted in panic selling and extreme price pressures for cattle producers. The last quote of the EYCI, the Eastern Young Cattle Indicator, was \$3.57 AUD/kg, down 66% compared to this time last year. To be clear the price for beef is determined in the world market considering that 2/3 of Australian beef production goes to export. But the sharp decline in feeder cattle prices is a reminder of the extreme challenges that producers and packers alike face in the current Australian production system. While slaughter has been slowly increasing, it remains about 30% under the peak registered a decade ago. At this point it is highly doubtful that slaughter in the Eastern States can expand to 140k head/week, let alone 170-180k head per week we saw in 2014 and early 2015.

As of this writing we did not have access to September export data but the chart below shows our latest projection for shipments to the US market. As has been the case in other major beef exporting countries, high prices in the US and a strong US dollar have proved to be a magnet for higher exports to that country. In August Australian beef exports to the US were 25,760 MT, 71% higher than a year ago. Our current projection is for shipments in September to be around 24,500 MT, significantly higher than the unusually low (data reporting issue) figure a year ago. So far this year Australian beef exports to the US are up 62% and we expect that for the year shipments will be up 70% and account for a 21.5% share of all exports. Exports to China in August were 17,114 MT, about 2% higher than a year ago. Through August China was the third largest market for Australian beef. The second largest market remains Japan, with shipments in August down 23% and down 8% for the year. While overall Australian beef exports are forecast to increase 25% in 2023, shipments to Japan are expected to be down 2-3%.

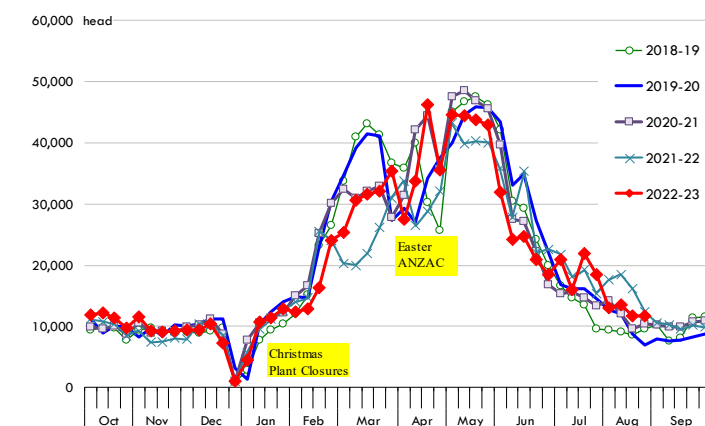
New Zealand Weekly Bull Slaughter

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



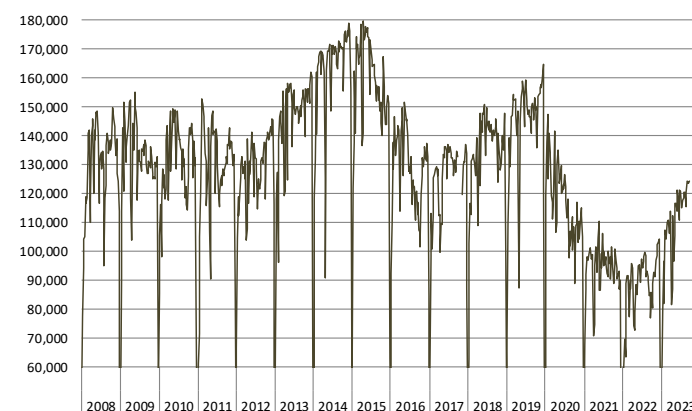
New Zealand Weekly Cow Slaughter

Based on Oct - Sep Marketing Year. Source: New Zealand Meat Board. Analysis by Steiner Consulting



Australia Weekly Eastern State Cattle Slaughter: Source MLA

Data Source: Meat & Livestock Australia. Analysis by Steiner Consulting

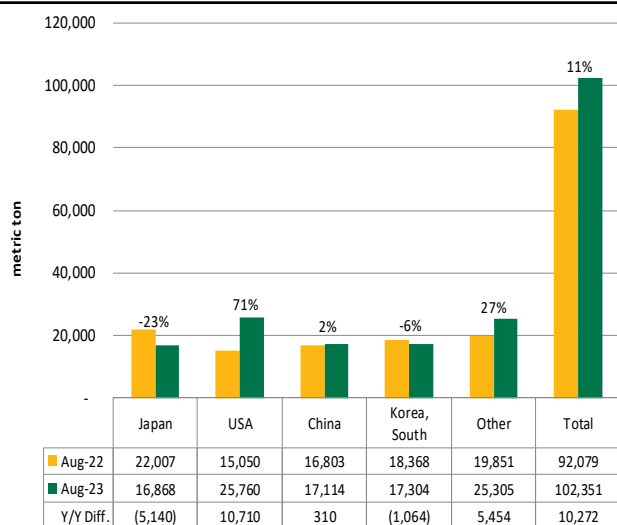


Oceania Statistics

Australia Fresh/Frozen Beef Exports In August 2023 vs. Previous Year

Latest Data for August

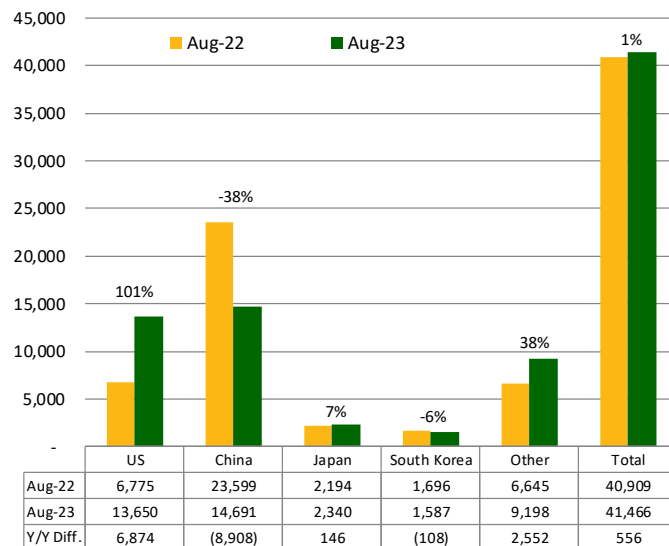
Units: Metric Tons



New Zealand Fresh/Frozen Beef Exports in August

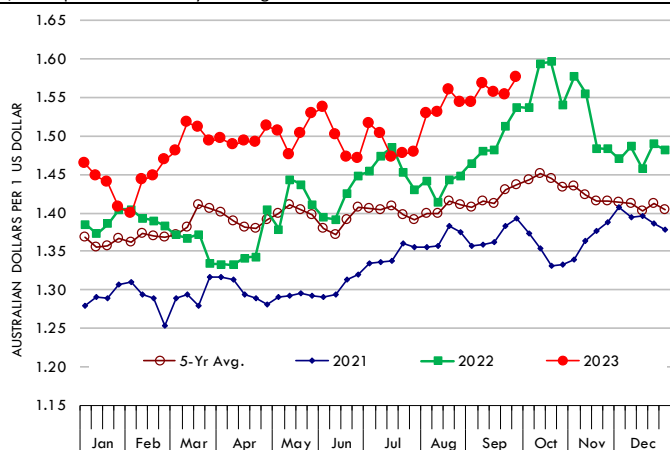
Source: Statistics NZ

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

