

Global Beef Market Monthly Review

April 2019

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Volume 1, Issue 4

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Highlights:

- China demand continued to dominate markets in March and early April. In the first three months of the year China beef imports were up 47%, with Argentina accounting for 40% of the growth.
- New Zealand slaughter was notably higher in late March and April as dry conditions forced more cattle to market. New Zealand exports to China in March were higher than to the US market, highlighting the shifts in global beef trade flows.
- US feedlots added more cattle to their inventory in March and expectations are that the trend continued in April. Ample feedlot supplies and a very long position of managed funds in June futures have pressured the market recently.
- Canada slaughter is declining in line with the seasonal trend but overall cow slaughter remains well above year ago levels.
- Brazil export growth hit the pause button in March but for the first three months of the year exports have been 5% higher than a year ago. A slowdown in exports to Hong Kong has been a key reason for the slowdown in Brazil beef exports.
- Cattle prices in the EU remain under significant pressure, in part due to higher domestic production but also lower economic growth and weak consumer demand.

Trade Update for Key Global Players

Main Global Meat Trading Countries, Both Export and Import

Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2018 Estimate	2019 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS										
Australia	19%	0%	Mar 2019	102,429	11,455	13%	1,125,653	1,046,858	-78,796	-7%
Argentina	2%	0%	Jan 2019	32,765	9,358	40%	368,577	460,721	92,144	25%
New Zealand	7%	0%	Mar 2019	49,142	12,642	35%	436,863	432,494	-4,369	-1%
Brazil	18%	1%	Mar 2019	118,522	-2,882	-2%	1,353,290	1,434,488	81,197	6%
USA	11%		Feb 2019	67,504	-4,446	-6%	1,007,761	1,043,033	35,272	3%
IMPORTS										
USA		20%	Feb 2019	68,992	-2,103	-3%	963,234	948,786	-14,449	-2%
China	0%	9%	Feb 2019	91,685	32,870	56%	1,039,389	1,351,206	311,817	30%
Hong Kong			Feb 2019	24,276	-564	-2%	435,056	465,510	30,454	7%
Japan	0%	9%	Feb 2019	40,094	2,911	8%	607,716	638,102	30,386	5%
Russia	0%	8%	Feb 2019	21,951	152	1%	314,220	304,793	-9,427	-3%

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

North America Market Update

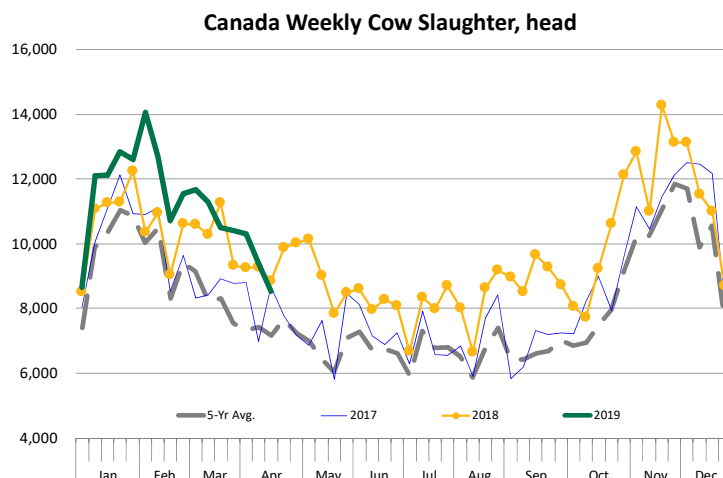
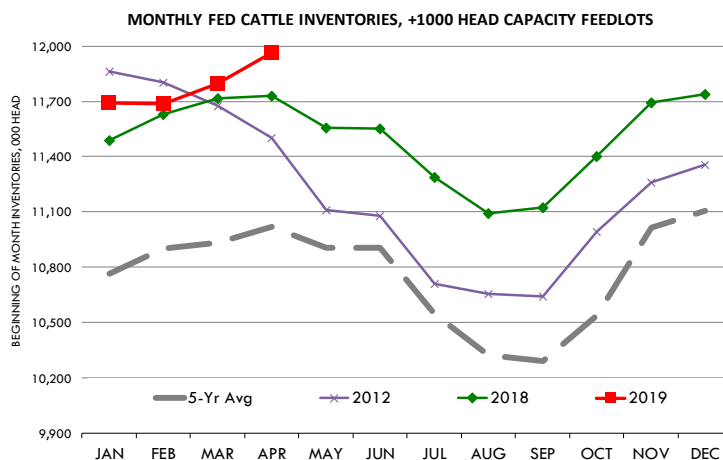
United States: USDA published the results of its ‘Cattle on Feed’ survey on April 19 and, as was the case in the previous report, the numbers were somewhat bearish relative to expectations. Below is a recap of the latest numbers and our current expectations for the report that will be published next month.

Marketings: According to USDA feedlots marketed 1.777 million head of cattle in March, 3.4% lower than a year ago. Analysts expected marketings to be 3.2% lower than last year. The lower marketings are a result of one less marketing day vs. last year. USDA reports daily fed cattle slaughter numbers and based on that data the average daily fed cattle kill in March was 96,120 head/day, about 1.5% higher than the previous year. March 2018 had one additional Thursday and one less Sunday than March 2019 and that accounted for the y/y increase. With one less marketing day and more cattle on feed the ratio of marketings to the +90day inventory was 27.7% compared to 29.7% a year ago and 35% in 2017. In the last five years the marketing rate in March averaged 30.1%. The marketing rate will improve in April, in large part because there will now be one additional marketing day. At this time we expect April marketings to be 5.6% higher than a year ago but will tweak this number as more slaughter data becomes available.

Placements: On average analysts polled ahead of the report expected placements in March to be up 3.8% compared to the previous year. The USDA survey pegged placements for the month at 2.014 million head, 4.8% higher than a year ago and on the higher range of analyst forecasts. March placements are still below the all time record 2.117 million head that feedlots placed in March 2017.

The higher placements, which were above the average of estimates, are not a surprise. Some parts of the country struggled with flooding in March but this issue was localized. High forward cattle prices and low feed costs provided the feedlots with a strong incentive to place more cattle in March as we think that was the case in April as well. Looking at our initial estimates vs. the actual numbers, the biggest surprise was in Kansas, with feedlot placements much higher than we expected.

Feeder cattle sales during March were higher than the previous year. In the four weeks ending March 29 feeder cattle sales were up 10% compared to the same four week period a year ago. April feeder cattle sales have



been even higher, implying a robust growth in placements for the month. Feeder cattle sales in the four weeks ending April 26 were 22% higher than a year ago. Our current forecast is for placements in April to be 8.6% higher than a year ago.

Canada: The seasonal decline in Canadian cow slaughter is under way although overall numbers still remain above year ago levels. In the four weeks ending April 20 cow slaughter has averaged 9,661 head/wk., down from around 12,000 head/wk Jan/Feb but about 5.2% higher than a year ago. For the year cow slaughter in Canada is up about 15,260 head or 9% higher than a year ago. Fed cattle slaughter seasonally increases in May and June. Last year weekly fed slaughter averaged around 45,000 head/wk in March and April but the increased to almost 60,000 head in mid June.

North America (continued)

Fed slaughter in Canada should continue to run above year ago levels. According to CanFax, the April 1 supply of cattle on feed in Alberta and Saskatchewan was 1.01 million head, 7% lower than a year ago. Placements in March were 175,500 head, 16% lower than a year ago while marketings were 6% higher than a year ago. Heifer placements in March were 52,808 head, 9% lower than a year ago. Steer placements at 122,644 head were 27,324 head or 18% lower than a year ago.

Canadian beef imports are off to a very slow start this year. Combined imports from all suppliers through the end of April were 49,796 MT, 23% lower than a year ago. Imports from Australia were 4,864 MT, 38% lower than last year while imports from New Zealand at 5,103 MT were down 35%.

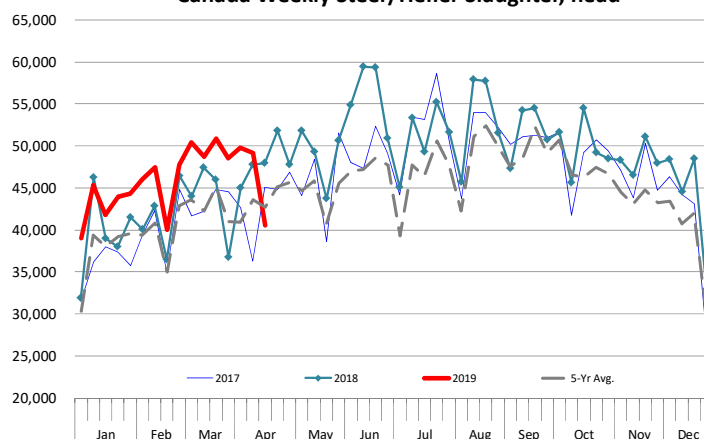
Mexico:

Beef production in Mexico is expected to increase in 2019 and early data supports that forecast. Total beef production in February was estimated at 162,211 MT, 1.4% higher than the previous month and 2.3% higher than the previous year. Seasonally beef production in Mexico has a very distinct seasonality pattern, with production slowly increasing in the summer and then finding a peak into the Christmas holidays. Holiday demand and culling patterns tend to drive seasonal slaughter. Production in the two major beef producing states of Veracruz and Jalisco continues to post strong growth. Veracruz production in February was 21,032 MT, 2% higher than a year ago and production in Jalisco at 19,468 MT was 3% higher.

Mexican feeder cattle to the US rose sharply in 2018 and shipments remain above year ago levels so far this year. US imports of feeder cattle from Mexico in the five weeks ending March 3 were 158,584 head, 21% higher than the previous year.

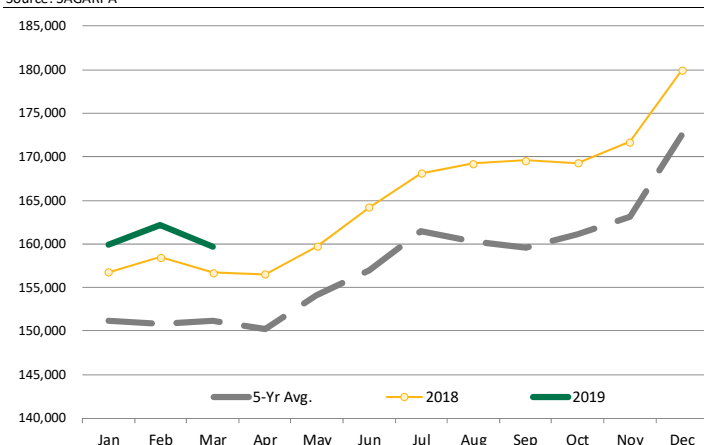
Higher production and strong prices in export markets continue to drive Mexican beef export volumes. The latest available data is for January, showing total exports were 19,352 MT, 10% higher than the previous year. USA and Japan are the two top markets for Mexican beef. Exports to the US in January were 17,003 MT,

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA



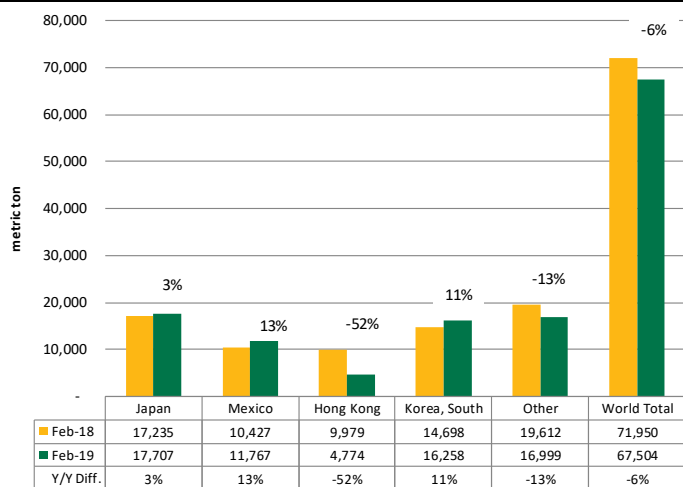
9% higher than the previous year. Exports to Japan were 911 MT, 16% higher than last year.

USA and Canada are the two main beef importing countries in Mexico. Imports from the US in January were 9,864 MT, 3% higher than a year ago while imports from Canada at 1,209 MT were 1% higher than last year.

North America Trade Statistics

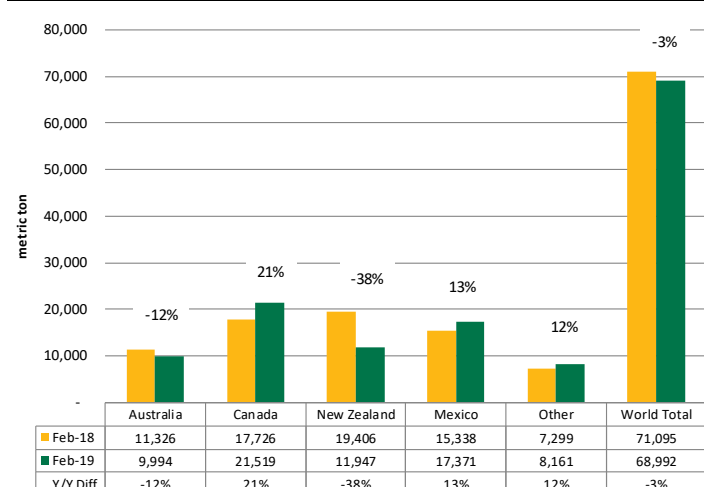
USA Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons



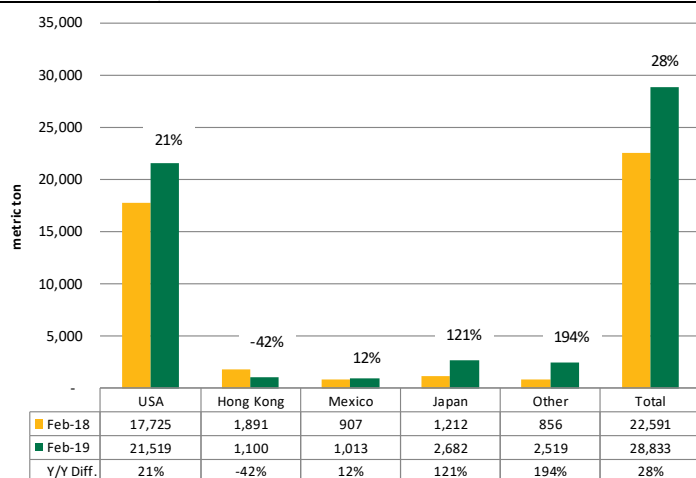
USA Fresh/Frozen Beef Imports

Latest Data for February Units: Metric Tons



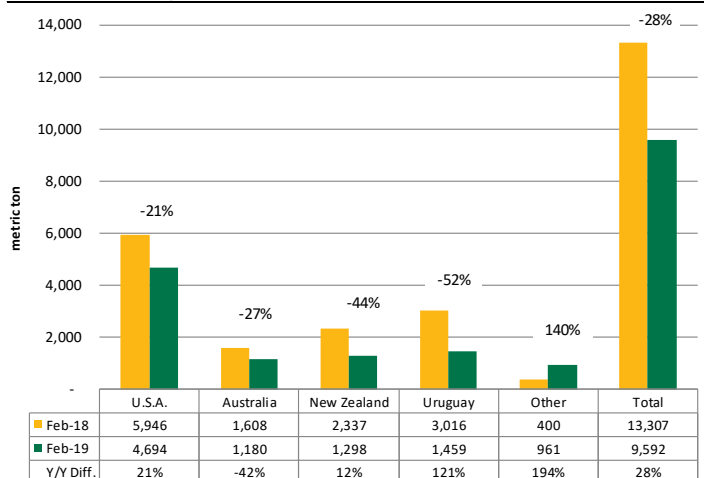
Canada Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons



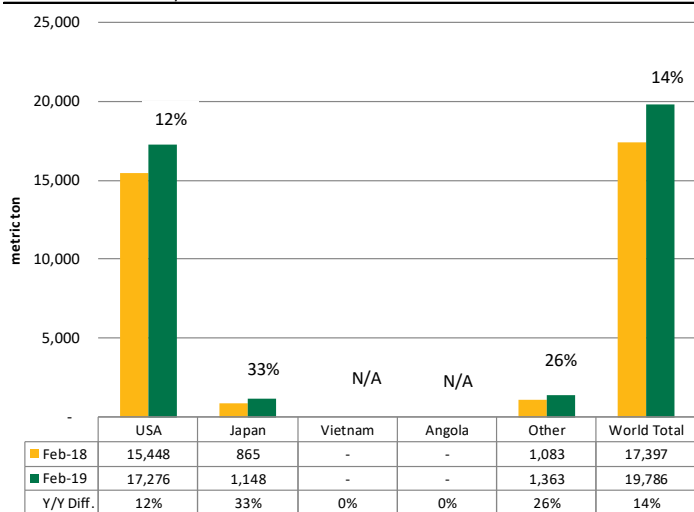
Canada Fresh/Frozen Beef Imports

Latest Data for February Units: Metric Tons



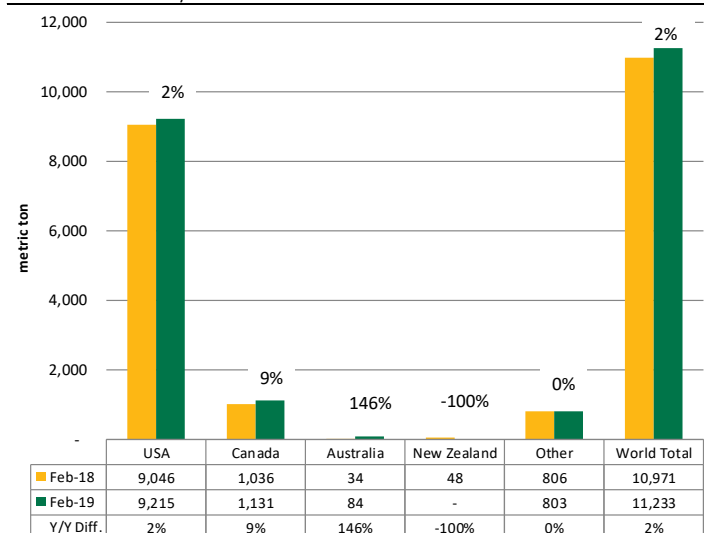
Mexico Fresh/Frozen Beef Exports

Latest Data for February Units: Metric Tons



Mexico Fresh/Frozen Beef Imports

Latest Data for February Units: Metric Tons



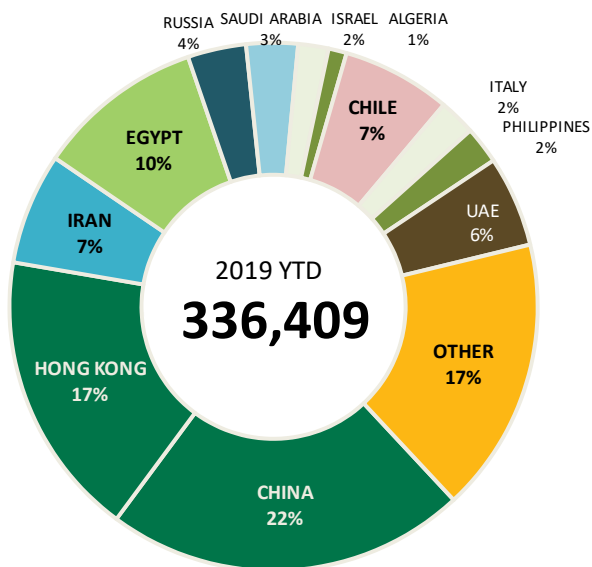
South America Market Update

Brazil: March exports were modestly lower, largely due to a slowdown in exports to China/Hong Kong. This market has been a key driver for Brazilian beef in recent months and will continue to dictate price levels going forward. Total shipments of fresh/frozen beef in March were 118,522 MT, 2% lower than a year ago. Exports to China were 24,896 MT, 5% lower than a year ago while exports to Hong Kong at 20,340 MT were 24% lower than last year. Despite the slowdown China/HK still account for about 40% of all Brazilian beef exports YTD. For the year Brazilian beef exports are up 5%, slightly behind the pace forecast for the year. While the slowdown in exports to China was expected due to the big volumes purchased late last year, it is unlikely that it will persist going forward. The spread of African Swine Fever in the country is expected to drive demand for meat protein in China. Chinese and Brazilian officials are expected to have high level meetings in May in order to expand access for Brazilian beef in the country. Expectations are that more plants will be allowed to ship product into China. Chinese buyers have possibly pulled back on some orders, hopeful they may get improved offerings once the supply expands. According to Reuters, “up to 78 Brazilian meat processing plants could be added to the list of those permitted to export to China.”

Argentina: US imports from Argentina remain minimal at this time, in part because Argentine packers are working to finalize the rules that will allow shipments of grinding beef to the US market. According to USDA-AMS, US imports of Argentine beef through the third week of April were just 12 MT while Customs data puts the figure of beef cleared for entry at 14.2 MT. With four months of the year already behind us, Argentine beef has not been a factor in the US market. And with strong China demand packers in Argentina appear to be in no rush to sell to the US. March data showed Argentine beef exports for the month were 31,612 MT, almost 3,900 MT or 14% higher than a year ago. Exports to China in March were 20,821 MT, about 9,000 MT higher than a year ago. In order to support the 76% increase in shipments to China Argentina exported significantly less beef to all other markets, with shipments to Chile down 14%, shipments to Israel down 10% and shipments to other markets down 25%. Total Argentine beef exports have slowed down recently, largely a result of lower slaughter. According to IPCVA, beef

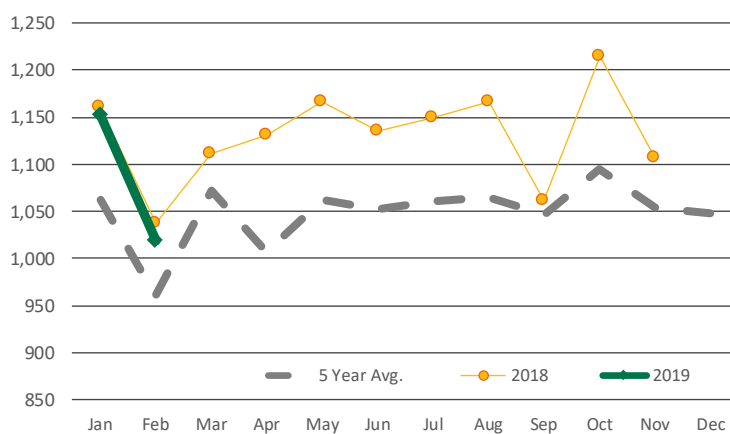
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Mar 2019



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



production in Argentina in March was 228,998 MT, 12.1% lower than a year ago. For all of Q1 beef production in Argentina was 5.2% lower than a year ago.

Uruguay: Producers continued to push more cattle to slaughter in March, in part due to seasonal pressures of the upcoming winter months but also due to strong demand in export markets. For the four weeks ending April 20 cattle slaughter in Uruguay averaged 48,972 head/wk., 16% higher than a year ago and 17.4% higher than the five year average. Steer slaughter during this four week period averaged 22,041 head/wk, 16% higher than last year and 10.2% higher than the five year aver-

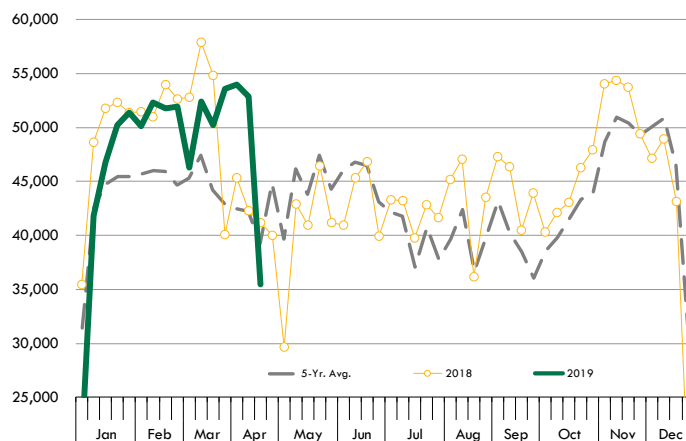
South America (continued)

age. Cow slaughter averaged 20,939 head/wk, 5.3% lower than a year ago. Improving producer returns and a notable improvement in feed supplies has allowed producers to reduce cow culling. Since the start of the year cow slaughter in Uruguay has been about 12% lower than last year.

China continues to take almost 2/3 of all Uruguayan beef exports at this time. Total shipments in March were 32,458 MT, 4% higher than the previous year. Exports to China were 21,495 MT, 34% higher than a year ago. Compared to China all other markets are relatively small. Exports to Russia remain almost non-existent and exports to the EU at 3,562 MT were 18% lower than the previous year. Exports to the US are on pace to be around 36k to 38k MT this year, 1% to 6% higher than year ago levels.

Uruguay Cattle Slaughter, Total

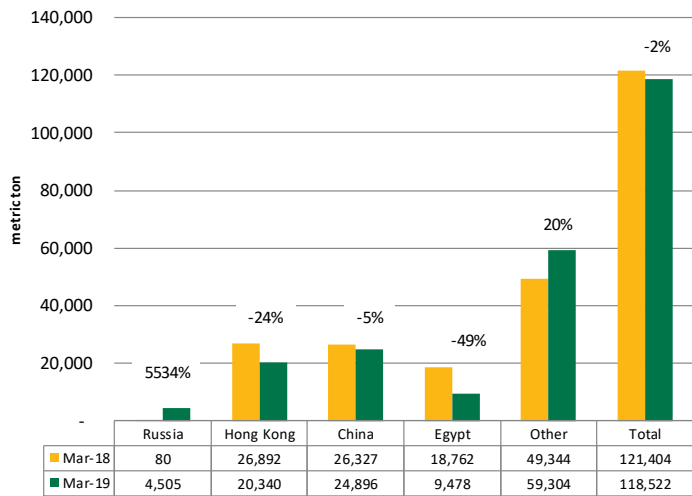
Weekly Slaughter in Head. Source: World Beef Report



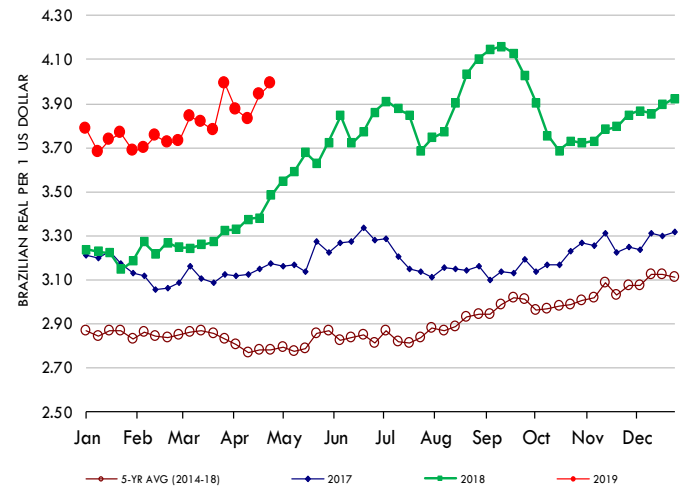
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons

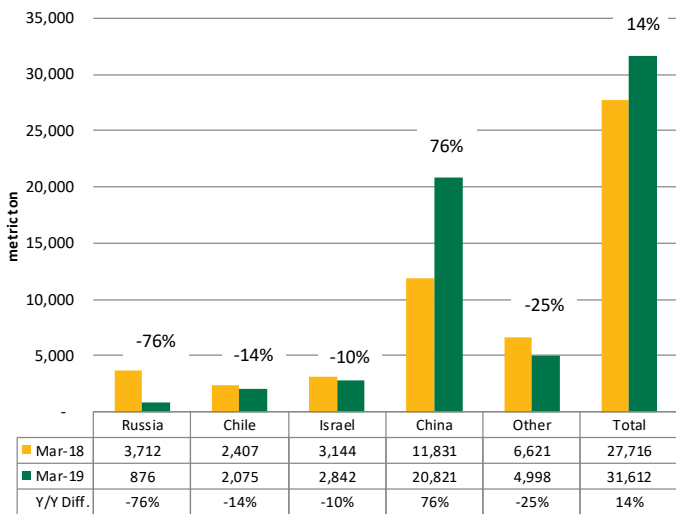


Brazilian Real Per 1 US Dollar

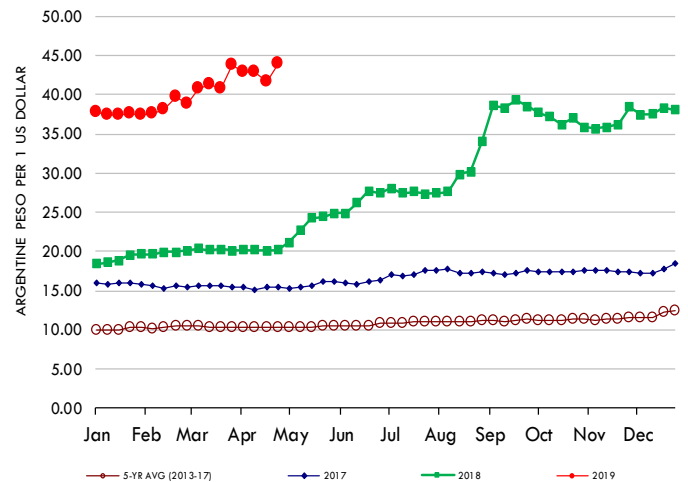


Argentina Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons

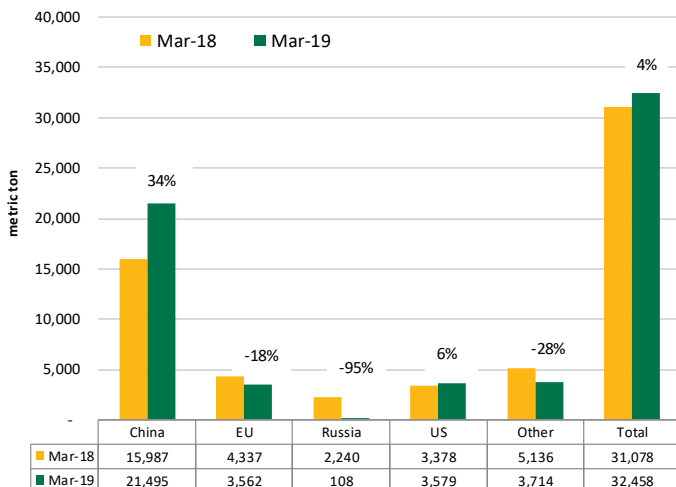


Argentine Peso Per 1 US Dollar

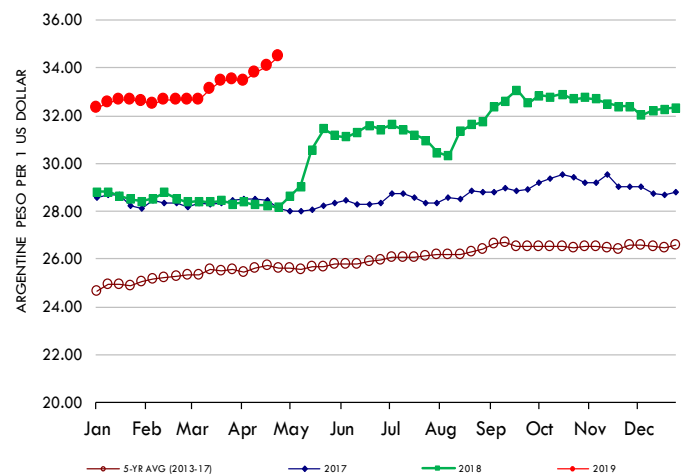


Uruguayan Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons



Uruguay Peso Per 1 US Dollar



Asia / EU Market Update

China/Japan/S. Korea: China beef imports increased compared to February levels and were as much as 56% higher than a year ago. Total imports in the first three months of the year were 99,782 MT or 47% higher than a year ago. As you can see in our summary table on page 1, our current forecast is for total China beef imports in 2019 to be about 30% higher than a year ago, which at this time appears to be quite conservative. China imports in March were up 25,510 MT compared to a year ago and almost half of that increase was due to higher imports from Argentina. The weak Argentine peso and growing relationship of Chinese buyers with Argentine packers continues to drive China demand. In the first three months of the year China imports of Argentine beef increased by almost 40,000 MT or 133% compared to a year ago. This was by far the biggest contributor to Chinese beef import increase. Imports from Australia in March were 19,358 MT, 5,587 MT or 41% higher than a year ago. Imports from Uruguay were the only imports that declined in March vs. year ago. Imports from Uruguay in March were 16,672 MT, 5% lower than a year ago

European Union:

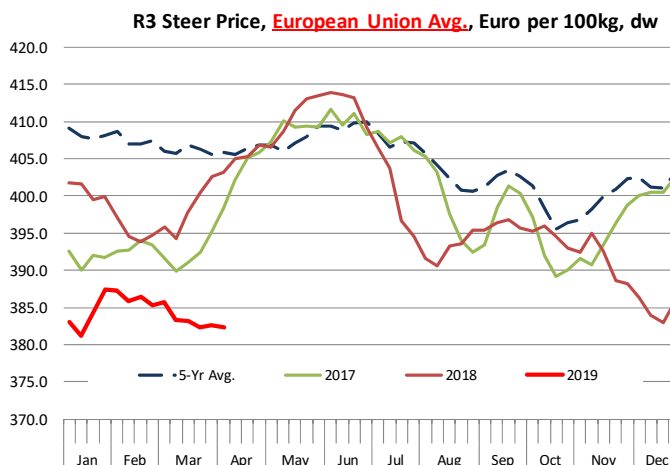
While politicians in Britain and the EU managed to, once again, kick the Brexit can down the road, the situation in the Irish beef market remains quite difficult. Earlier in the year the decline in cattle prices was blamed largely on Brexit uncertainty and the potential for higher taxes for Irish beef in Britain. Now the main complaint is about the level of consumer demand in Britain, which has significantly impacted pricing. According to British media reports, retail beef sales in Britain in Q1 were down 4.8% compared to the previous year and the lowest since 2016. Weak demand in Britain has been driven by increased competition from other suppliers, a big increase in British cow culling and more imports from South America.

Weak prices and improving feed conditions have had a significant impact on Irish cattle slaughter in recent weeks. In the four weeks ending April 21 cattle slaughter in Ireland averaged 34,819 head/wk, 3.5% higher than a year ago. Young bull slaughter in the last four weeks has been 39% higher than last year and heifer slaughter has increased by 10.5%. Cow slaughter, on the other hand,

China Beef Imports in Jan-Mar 2019. Metric Ton.

Source: China Customs

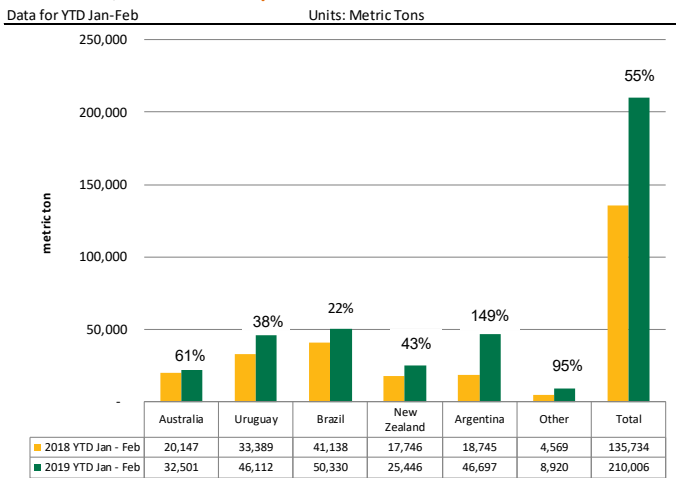
Import Partners	Jan-Mar 2018	Jan-Mar 2019	Y/Y MT	Y/Y %
Brazil	62,642	73,671	11,029	18%
Uruguay	50,988	62,784	11,796	23%
Argentina	29,787	69,444	39,657	133%
Australia	33,917	51,860	17,942	53%
New Zealand	28,118	41,532	13,415	48%
Canada	1,003	3,411	2,408	240%
South Africa	1,082	1,873	792	73%
Costa Rica	1,043	2,022	978	94%
United States	1,955	1,785	(170)	-9%
Other	1,106	2,003	897	81%
Total	211,664	311,446	99,782	47%



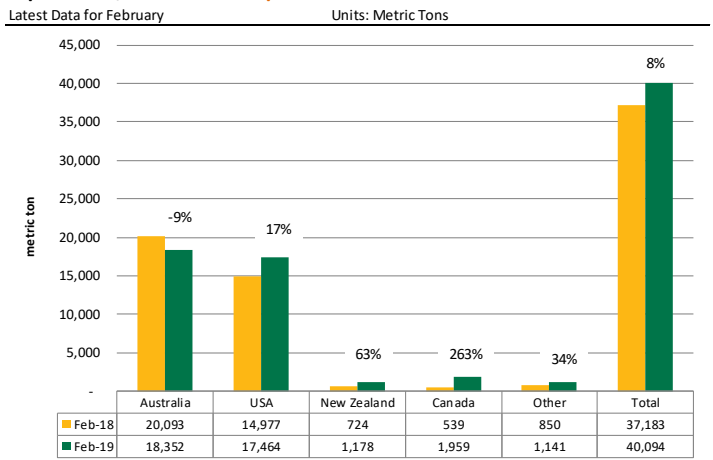
has been trending lower, in part because of the strong culling rate we saw in late 2018 and early 2019. In the last four reported weeks cow slaughter in Ireland has been about 19% lower than a year ago. Despite the slaughter cuts cull cow prices in Ireland remain as much as 20% below year ago levels while broader EU cull cow values are about 5% lower than last year.

Asia / EU Trade Statistics

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

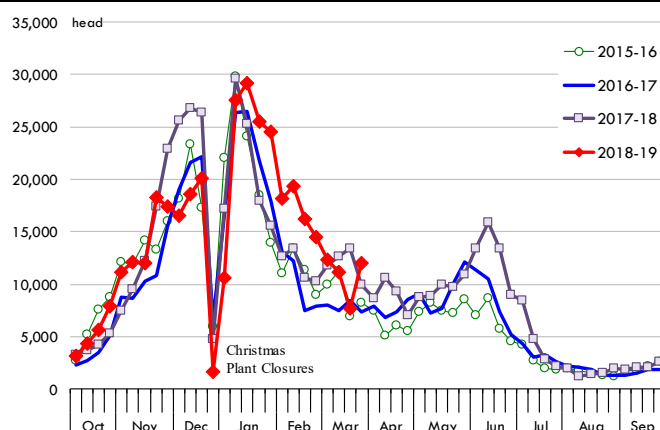
New Zealand: Robust slaughter during late February and March drove New Zealand exports in March. Data released by New Zealand Statistics shows total shipments of fresh/frozen beef last month were 49,142 MT, 12,642 MT or 35% higher than a year ago. Most of this increase in supply did not come to the US, however. Total shipments to the US market were 18,003 MT, around 1,500 MT or 9% higher than a year ago. Despite this increase the US share of New Zealand shipments was just 36.6%. Almost all the increase in New Zealand supplies went to China. Exports to this market in March were 20,327 MT, 11,516 MT or 131% higher than a year ago. New Zealand also shipped 2,301 MT to Japan, an 85% jump compared to a year ago. At this time New Zealand faces a lower beef tariff in Japan due to the implementation of the CPTPP trade deal.

Australia: Australian slaughter was lower in the second half of April due to Easter and ANZAC holidays. Slaughter for the week ending April 19 was 127,155 head, 14% lower than a year ago and last week it was 87,231 head, 29% lower than a year ago. The reduction in supply has helped support domestic prices in Australia as well as prices offered in other markets. There was some fairly significant rainfall in the past week, which may also limit slaughter flows in the coming weeks. At this time ABM indicates that are generally even odds that rainfall in the next three months will exceed the median level. Despite the recent rainfall there is still a significant shortage of water in key areas. According to ABARE, water storage levels in the Murray-Darling Basin (MDB) were 36% lower than a year ago the lowest in a decade.

Australian beef exports in March were 102,429 MT, 12.6% higher than a year ago. While exports to all markets were higher than the previous year, the bulk of the increase in exports came from higher exports to China. Overall Australian beef exports in March were 11,455 MT higher than the previous year. Exports to China were 20,579 MT, 9,078 MT or 79% higher than a year ago. We think April shipments to China were about the same as in March and about 60% higher than last year. Exports to the US market in March were 24,267 MT, 4,622 MT or 24% higher than a year ago. The US was the top market for Australia in March but the growth in exports to the US was less than half of the growth in shipments to China. The question for the market going forward will be the degree to which China will compete with

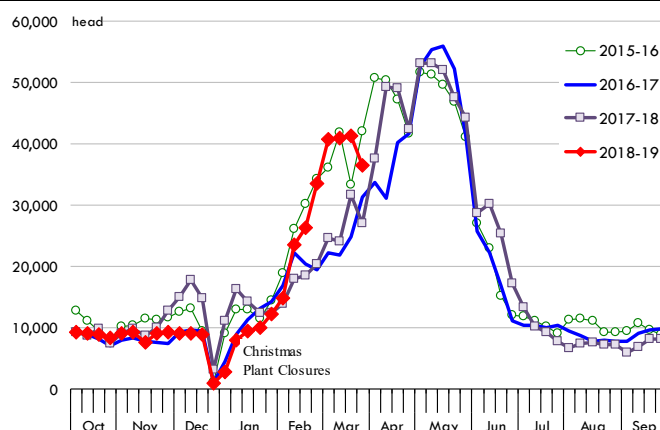
New Zealand Weekly Bull Slaughter

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



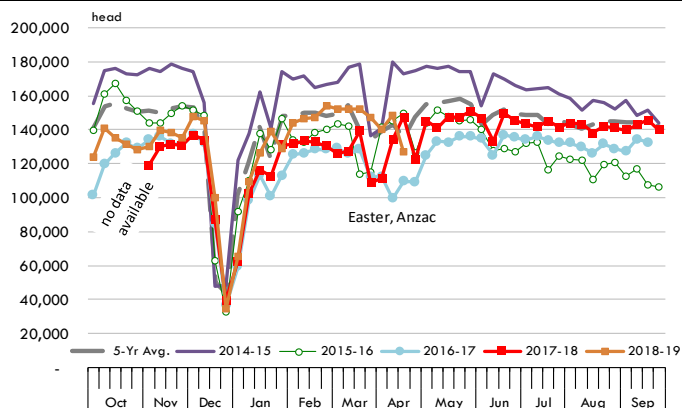
New Zealand Weekly Cow Slaughter

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



Australia Weekly Cattle Slaughter, Head. Oct - Sep Base

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



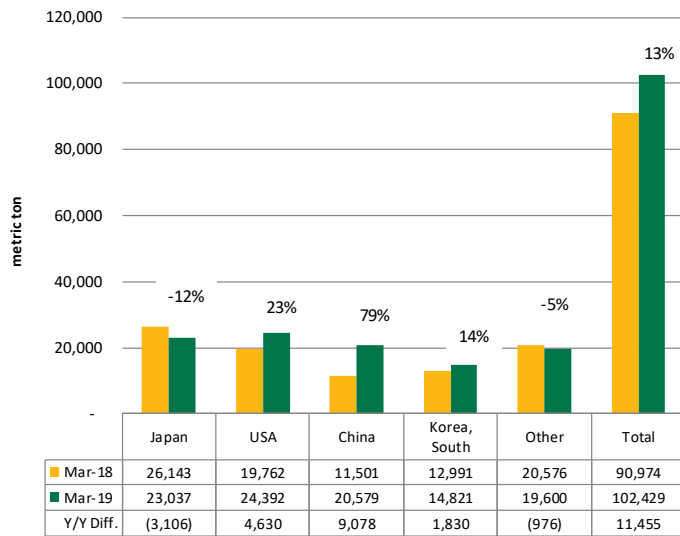
the US if/when Australian supplies start to decline. Australian exports to Japan in March were 23,037 MT, 12% lower than a year ago. We expect April shipments to Japan to be around 22,000 MT, 19% lower than last year. Exports to South Korea in March were up 14% and should be up by over 20% in April.

Oceania Statistics

Australia Fresh/Frozen Beef Exports

Latest Data for March

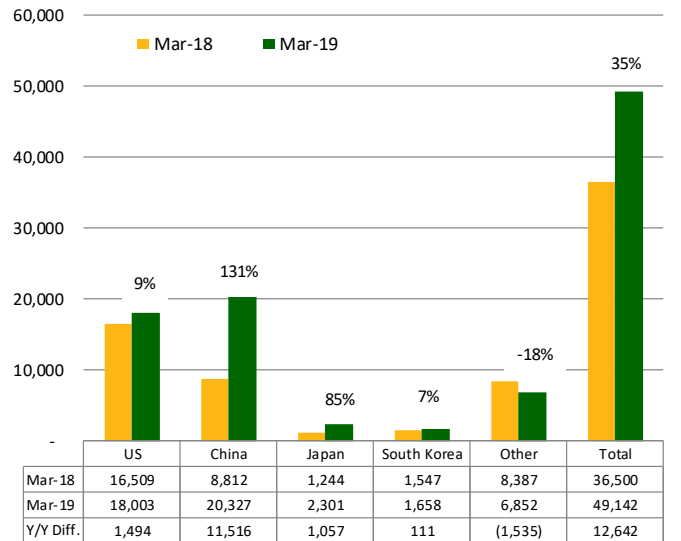
Units: Metric Tons



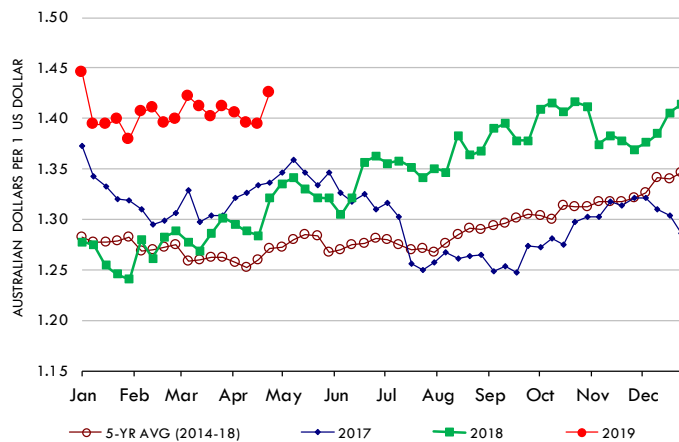
New Zealand Fresh/Frozen Beef Exports

Latest Data for March

Units: Metric Tons



AUSTRALIAN DOLLAR: 5-Yr. Avg, 2017, 2018 & 2019



NEW ZEALAND DOLLAR: 5-Yr. Average, 2017, 2018 & 2019

