

# Global Beef Market Monthly Review

## August 2019

August 29, 2019

Volume 1, Issue 8

Prepared by: Steiner Consulting Group, 800-526-4612

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### Highlights:

- China beef imports remain explosive and we have adjusted higher our forecasts for all of 2019 based on current trend. At this time China beef imports for all of 2019 are forecast to increase by 467,000 MT from a year ago. This supply exceeds the growth in exports from the major world suppliers, implying higher prices will be needed to ration out demand.
- New Zealand and Australia used to look at the US as their top beef buyer. That is no longer the case. In July China became the top buyer in both of these countries. New Zealand beef exports to China jumped 73% in July while exports to the US were down 50%
- USDA is currently forecasting continued growth in Mexican beef production, with the calf crop forecast to increase by around 2.6% in both 2019 and 2020. Mexico has become one of the top beef suppliers to the US market and this growth is expected to continue in the next year.
- Fire in a major US cattle processing plant has significantly disrupted the market. US packing capacity was already quite tight and idling 6% of available fed packing capacity has resulted in higher beef prices as buyers look to work with other suppliers to fill their needs.

### *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.	
<b>EXPORTS</b>										
Australia	19%	0%	Jul 2019	114,965	9,808	9%	1,125,653	1,170,679	45,026	4%
Argentina	2%	0%	Jul 2019	41,990	8,851	27%	368,577	504,950	136,373	37%
New Zealand	7%	0%	Jul 2019	39,146	-3,730	-9%	436,863	449,969	13,106	3%
Brazil	18%	1%	Jul 2019	129,091	-1,769	-1%	1,353,290	1,488,619	135,329	10%
USA	11%		Jun 2019	87,579	342	0%	1,007,761	1,043,033	35,272	3%
<b>IMPORTS</b>										
USA		20%	Jun 2019	85,955	-9,665	-10%	963,234	948,786	-14,449	-2%
China	0%	9%	Jul 2019	152,213	68,982	83%	1,039,389	1,507,114	467,725	45%
Hong Kong			Jun 2019	26,285	-7,384	-22%	435,056	391,551	-43,506	-10%
Japan	0%	9%	Jun 2019	47,297	-40	0%	607,716	638,102	30,386	5%
Russia	0%	8%	May 2019	20,527	-10,132	-33%	314,220	304,793	-9,427	-3%

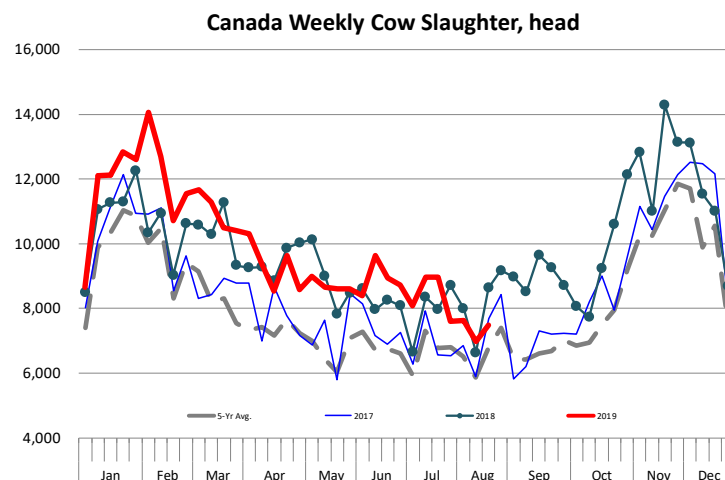
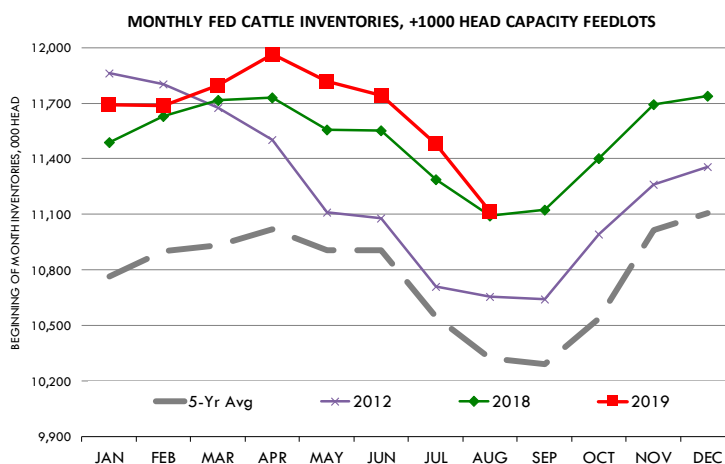
\*\*\* Product wt. basis. Projections for 2019 made by Steiner Consulting.

## North America Market Update

**United States:** The August 1 inventory of cattle on feed in feedlots with +1000 head capacity was 11.112 million head, 0.2% higher than a year ago. Analysts expected the total on feed number to be up 0.6%. A robust marketing pace during June and July has allowed producers to stay ahead of the larger on feed numbers that were available at the start of spring. However, one of the largest cattle processing plants in the US has been sidelined due to an industrial accident and it is uncertain when it will be operational again. For now packers have been able to keep up with the available cattle supply by running Saturday shifts. But this becomes increasingly difficult to accomplish over a number of months. The risk for cattle producers is that they will fall behind in marketing cattle, resulting in a backlog of animals that will eventually have to be sold off at discounts.

Front end supplies are current, which should help fed cattle prices in the near term despite the Tyson plant fire. On March 1 the total supply of cattle that had +120days on feed was 7% higher than last year's already quite high levels. As of August 1, the inventory of +120 day cattle was just 0.8% higher than a year ago and the inventory of +150 day cattle was 2.9% lower than last year. According to USDA feedlots marketed 2.002 million head of cattle in July, 6.9% more than a year ago. Analysts polled ahead of the USDA report also expected to see a 6.8% decline in marketings. There was one more marketing day in July, which affected the year/year comparison. If we adjust for the calendar difference, daily marketings in July were 2.3% higher than a year ago. The marketing number was also consistent with the reported fed cattle slaughter during the month of July. According to USDA, daily fed cattle slaughter for the month was 7% higher than then previous year. The ratio of marketings in July vs. the supply of +90-day cattle was 33.2%, about a point higher than the previous month and also a full point higher than the five year average. The robust marketing rate has allowed producers to stay current so far, with fed cattle weights increasing in line with the normal seasonal trend for this time of year.

While there was a wide range in published analyst estimates regarding placements, there was broad consensus that placements for the month were lower than a year ago. The USDA survey pegged July placements at 1.705 million head, 2.1% lower than a year ago. Analysts polled ahead of the report expected placements



to be 0.5% lower. Lower feeder cattle sales during July, lower imports, higher corn prices and good pasture conditions were all seen as factors contributing to light placements for the month. The 2.1% decline represents a reduction in placements of around 37,000 head. This follows a decline of 60,000 head in May and 42,000 head in June. We continue to see a reduction in the number of light calves placed on feed. Placements of calves under 600 pounds were down 50,000 head or 12% from a year ago and placements of calves between 600-699 pounds were down 30,000 head or 10% from last year. Fundamentally, processing capacity challenges this fall coupled with lower placements of light calves should continue to support wide spreads between Oct-Dec and Oct-Feb cattle.

**Canada:** The inventory of cattle on feed in Alberta/Saskatchewan feedlots as of August 1 was estimated at

## North America (continued)

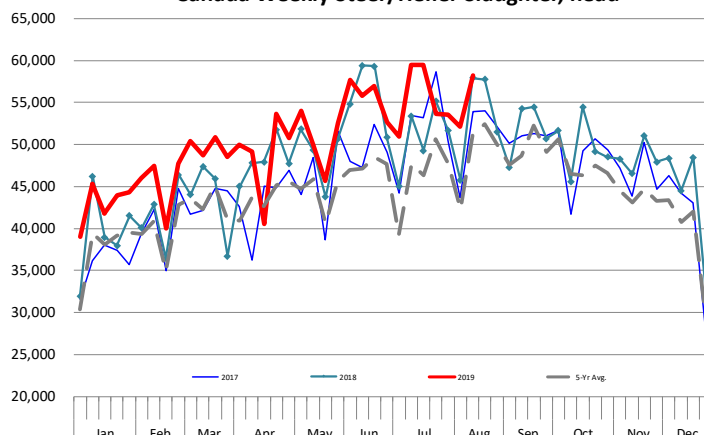
798k head, 6% higher than a year ago. The supply of cattle on feed in Canada has been running well above year ago levels for much of 2019, a function of more feeders going into feedlots towards the end of 2018, strong beef demand in the US market and a weak Canadian dollar. Improving weather conditions and higher placements earlier in the year resulted in a notable decline in placements during June and that trend continued in July as well. According to Canfax, July placements were 57,800 head, 9% lower than a year ago. Heifer placements were 14,794 head, 45% lower than a year ago. This was the lowest heifer placement number since July 2014. Steer placements in July were 42,994 head, 16% higher than a year ago.

The increase in the number of cattle on feed has resulted in higher fed slaughter and higher exports to the US and Asian markets. Combined steer and heifer slaughter in the four weeks ending August 17 averaged about 54,000 head per week, 2% higher than a year ago and 8% higher than the five year average. Cow slaughter during this period averaged 7400 head/wk, 7% lower than a year ago but still as much as 14% higher than the five year average.

**Mexico:** Mexican beef production in July was estimated at 172,253 MT (cwe), 2.5% higher than a year ago. The state of Veracruz accounted for 14% of national production, making it the top beef producing state in Mexico. At 23,738 MT production in Veracruz increased 2.3% compared to year ago levels. Jalisco was the second largest producing state, accounting for 12% of national production. July production in that state was estimated at 20,674 MT, 5.5% higher than the previous month but still 1.6% lower than a year ago.

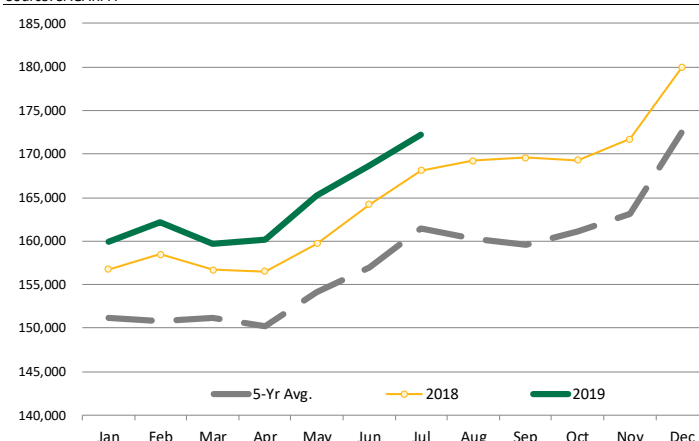
A recent USDA report, prepared by USDA staff in Mexico, noted that beef production in the country is expected to increase at a modest pace in 2020. A larger breeding herd is expected to result in a larger calf crop and steady production gains. In its latest report USDA estimates the January 1, 2020 Mexican cattle herd at 16.9 million head, 1.2% higher than the previous year. The Mexican cattle herd has expanded despite continued increases in both slaughter and the number of cattle exported to the US. Mexican slaughter for all of 2019 is forecast at 6.250 million head, 1.1% higher than the previous year. Beef production in Mexico is forecast to in-

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

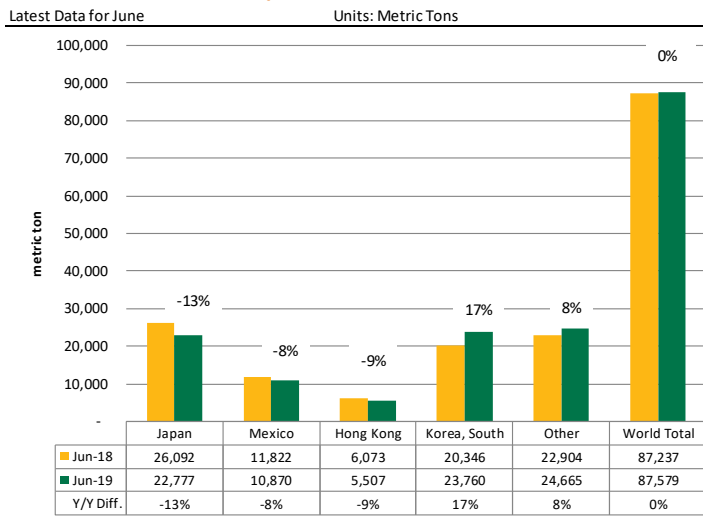
Source: SAGARPA



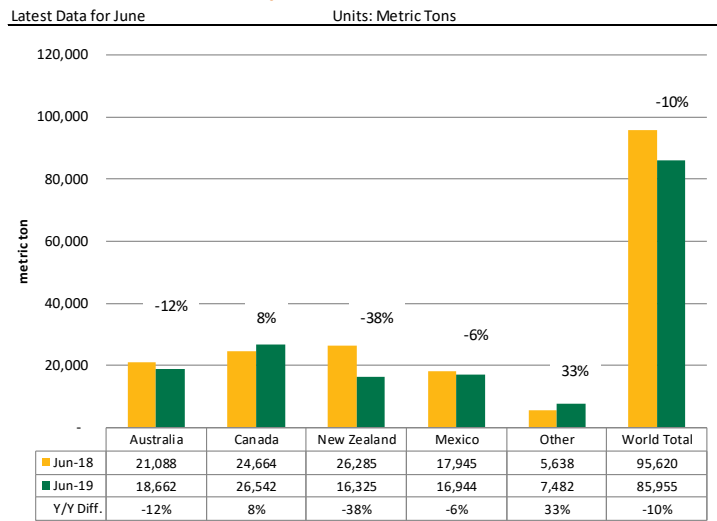
crease by 2.5%, suggesting an increase in lot feeding and heavier cattle coming to market this year and next. Slaughter for next year is forecast at 6.325 million head, 1.2% higher while production at 2.070 billion pounds is forecast up 2% compared to the 2019 projection. Driving the increase in the overall inventory and slaughter is the continued growth in the Mexican calf crop. Improvements in genetics have sustained growth in beef production while the continued growth of the beef cow herd continues to underpin cattle production. The beef cow herd on January 1, 2019 was estimated at 7.7 million head, 2.7% higher than a year ago. At the start of 2020, the Mexican beef cow herd is forecast at 7.9 million head, 2.6% higher than the previous year and supporting projections for another 2.6% increase in the Mexican 2020 calf crop. The continued strong growth in Mexican beef production coupled with the weak Peso and strong beef demand in the US market have supported the increase in Mexican beef exports to the US in recent years (see chart below). This growth is expected to continue in 2020, with Mexican beef exports for next year forecast at 396 million pounds, 10% higher than in 2019.

## North America Trade Statistics

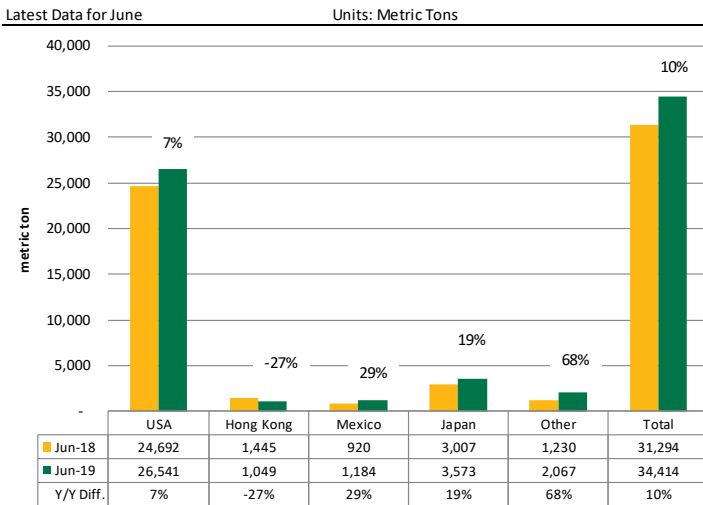
### USA Fresh/Frozen Beef Exports



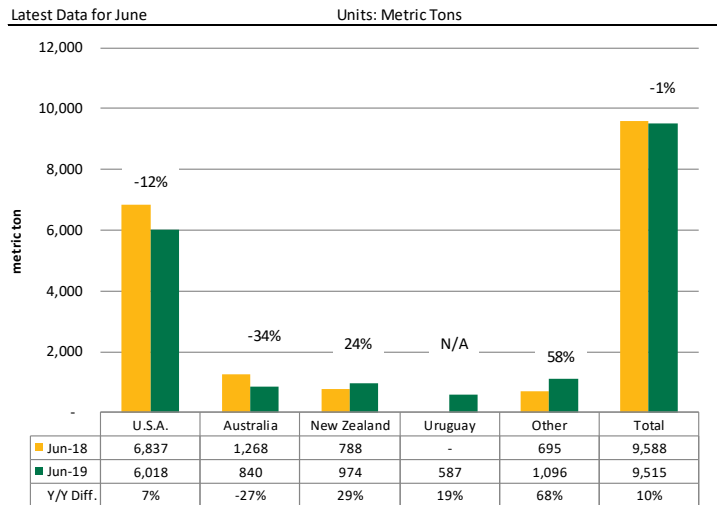
### USA Fresh/Frozen Beef Imports



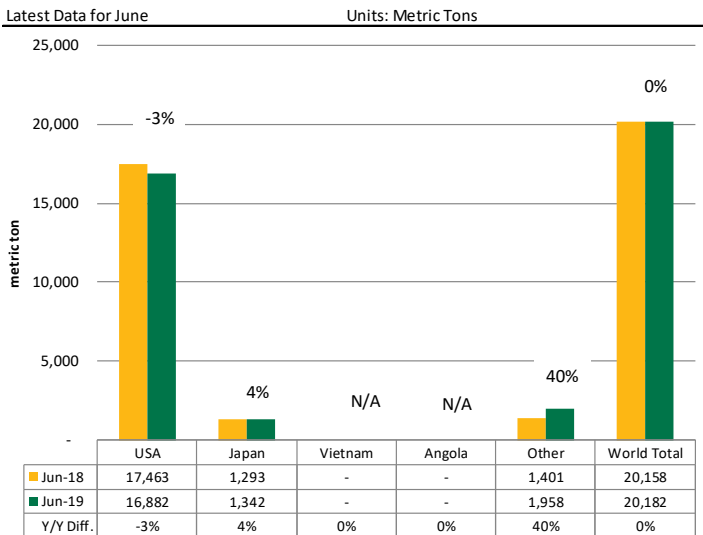
### Canada Fresh/Frozen Beef Exports



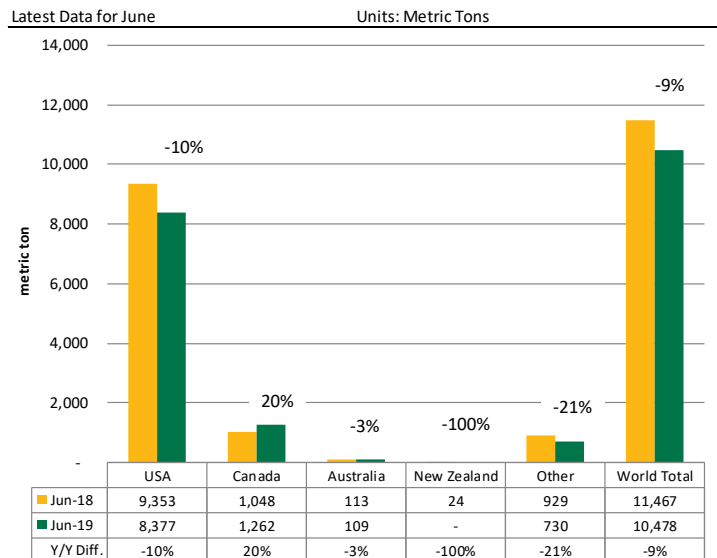
### Canada Fresh/Frozen Beef Imports



### Mexico Fresh/Frozen Beef Exports



### Mexico Fresh/Frozen Beef Imports



## South America Market Update

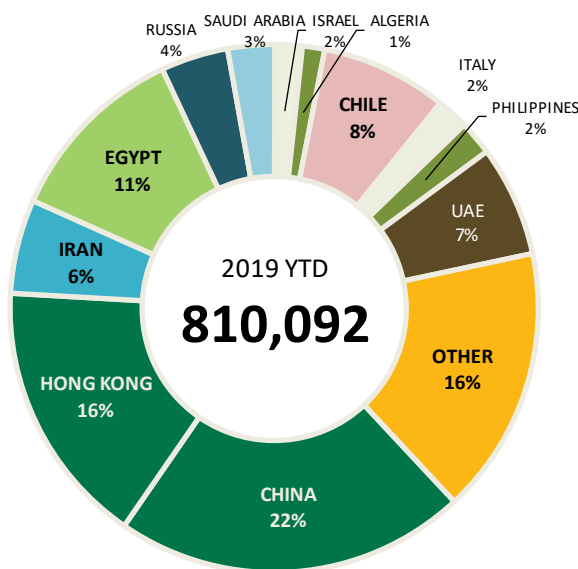
**Brazil:** Brazil beef exports continued to increase in July although the overall volume was lower than a year ago. The year/year comparison has been skewed in the last three months by the truck driver strike in 2018, that significantly reduced export volumes in Apr-May-June but then was followed by a big spike in catch up shipments. Total exports of Brazilian fresh/frozen beef in July were 129,091 MT, the highest monthly volume so far this year. Exports during the Jan-Jul period were a total of 810,092 MT, 22% higher than the same period a year ago. China and Hong Kong account for about 40% of all Brazilian exports of fresh/frozen beef. Exports to China in July were 28,398 MT, down 19% from last year. For the year beef exports to China are still up about 11% from the same period a year ago. As the bulk of exports from Argentina and Uruguay are currently going to China, buyers in smaller markets have been more aggressive in trying to purchase Brazilian beef. Exports to smaller markets in July were 53,576 MT, 1% less than last year. During the Jan-Jul period, beef exports to these smaller markets have been a total of 377,874 MT, about 100k MT or 36% higher than a year ago. Recent reports note that China interest in Brazilian beef has increased and higher exports are expected in August and beyond to that market. China buyers are looking to build inventories ahead of the Chinese New Year in early 2020 and demand is expected to remain firm due to the sharp decline in protein supplies from ASF.

**Argentina:** As with a number of other markets around the world, China demand continues to drive export volumes and prices in Argentina. Total Argentine beef shipments in June were 48,815 MT, 15,003 MT or 52% higher than the previous year. Shipments to the Chinese market were 33,376 MT, more than double year ago levels and representing 76% of overall shipments. Argentina has become primarily a supplier to the Chinese market, with other markets accounting for a small share of total shipments. While Argentina has been granted access to the US market the volume shipped so far this year has been minimal and that is not expected to change in the near future. For now, strong demand in the Chinese market and the weak Peso make Argentina a very attractive market for Chinese buyers.

Total cattle slaughter in Argentina for the month of June was reported at 1.077 million head, 5.1% lower

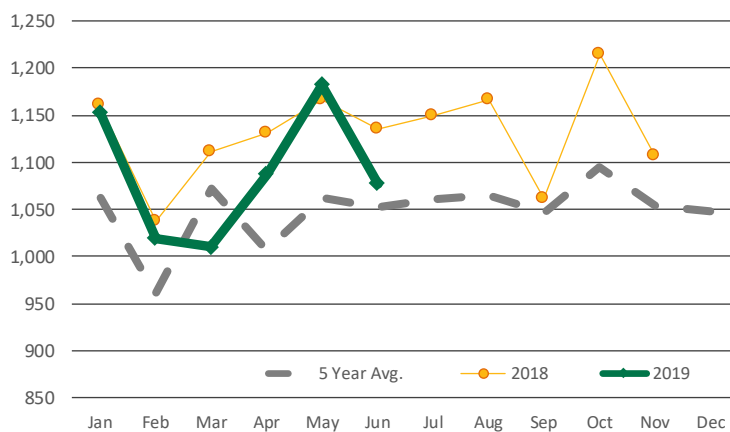
### Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Jul 2019



### Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



than a year ago. Cattle slaughter this year has been trending lower. Cow slaughter in June was 242.7k head, 4.8% higher than last year. Slaughter has been running significantly above year ago levels for much of the year as robust export prices encourage producers to liquidate.

**Uruguay:** Similar to a year ago slaughter improved modestly in July and August but the volume of cattle coming to market remains below year ago levels. In the four weeks ending August 17, cattle slaughter in Uruguay averaged 37,548 head/wk, 15% lower than a year ago and 6.5% lower than the five year average. Lower cattle inventories and an improvement in weather/feed condi-

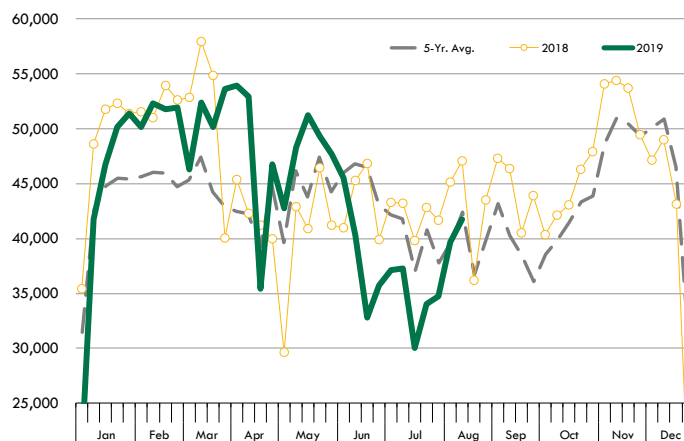
## South America (continued)

tions have limited cattle herd liquidation during the winter months. Steer slaughter during this period was down 20% from last year while cow slaughter averaged almost 40% below year ago levels.

The decline in slaughter during July contributed to a net reduction in beef exports and we expect to see lower exports again in August. At this time Uruguayan packers remain focused on the Chinese market and even as overall exports were lower than last year, exports to China continued to expand. Total shipments to China in July were 17,443 MT, 24% higher than a year ago. In the seven months ending July 2019, exports to China were up about 34,000 MT or 34%. Exports to the EU market in July were 1,353 MT, 45% lower than last year and exports to the US at 2,010 MT were down 34%.

**Uruguay Cattle Slaughter, Total**

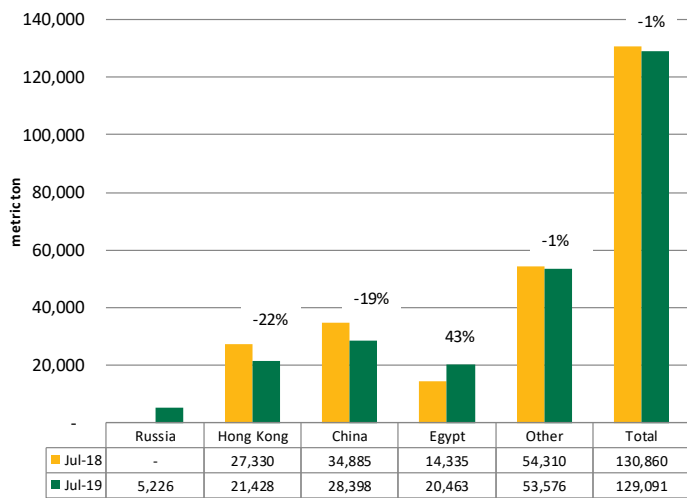
Weekly Slaughter in Head. Source: World Beef Report



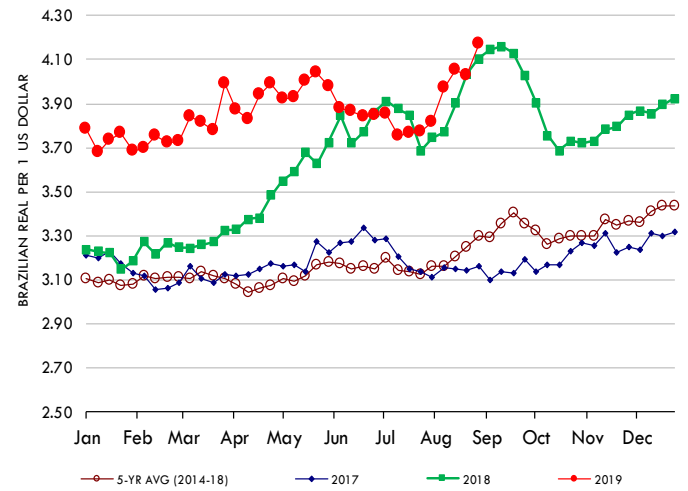
## South America Trade Statistics

### Brazil Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons

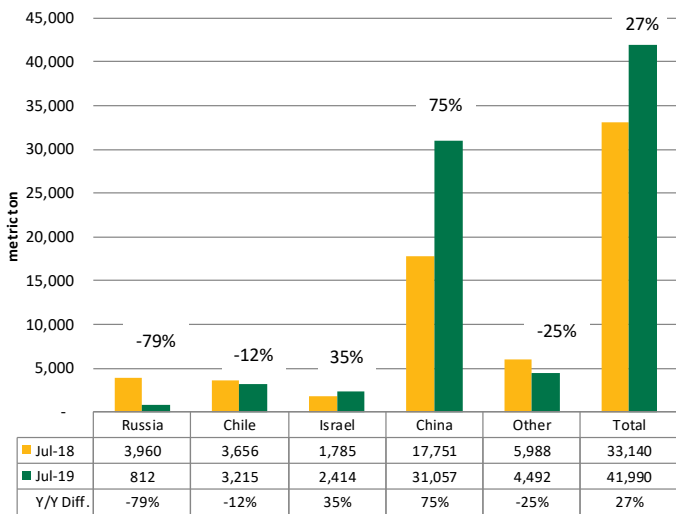


### Brazilian Real Per 1 US Dollar

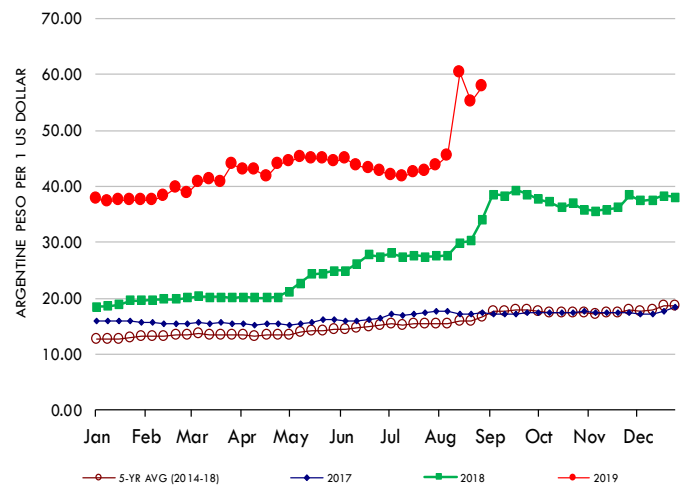


### Argentina Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons

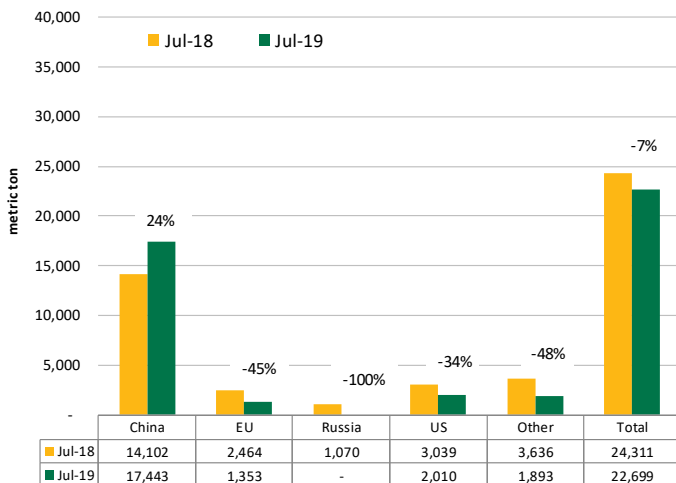


### Argentine Peso Per 1 US Dollar

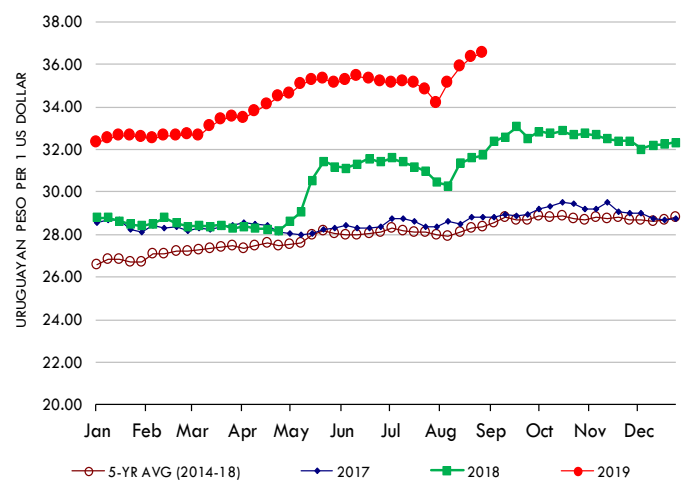


### Uruguayan Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons



### Uruguay Peso Per 1 US Dollar



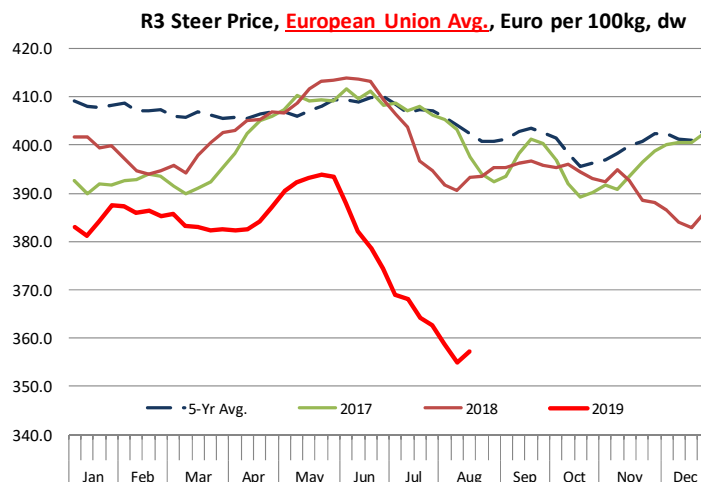
## Asia / EU Market Update

**European Union:** Low cattle prices have escalated the public fight between cattle producers and cattle processing plants in Ireland. Producers have organized a number of blockades outside plants operated by some of Ireland's largest processors. Despite efforts by various industry groups to find a middle ground in order to allow resumption of operations, new protests have taken place. More recently the Irish High Court, the equivalent of the Supreme Court in the US, issued an injunction against protests outside meat processing plants.

In the near term the blockades have had a negative impact on both cattle prices and overall beef prices in Ireland. Indeed, cattle slaughter in Ireland was down sharply in early August and it remains below year ago levels. In the four weeks ending August 18, total Irish cattle slaughter averaged 29,321 head/wk, 13% lower than a year ago. During the first two weeks of August, however, slaughter was down as much as 33% from last year. Cow slaughter during the reference period averaged 5,621 head/wk, 27% lower than last year's levels.

The decline in slaughter did little to change the trajectory in steer and cow prices in Ireland. If anything the blockade of processing plants has further limited the ability of producers to move their livestock off the farm. For the week ending August 18 the average R3 steer price in Ireland was 344 euro/100 kg, 10.3% lower than a year ago. Steer prices in the UK for the same week were 360 euro/100kg, 11.3% lower than last year and the average EU price was 357 euro/100kg, 9.2% lower than last year. Weak beef prices are not just an Irish phenomenon but a fact of life for most producers in the EU.

**China/Japan/S. Korea:** China beef demand has been explosive this year, far exceeding our bullish estimates at the start of the year. We have updated our projections for the year to reflect the reality on the ground. Last year China beef imports were up over 50% and our expectation for the year, which was far higher than what USDA and others were forecasting, was for a 30% increase. However, through July China beef imports are up 53% and at this time we think their imports for the year will be between 40-50% higher than the previous year. The spread of African Swine Fever has created a significant supply hole in the hog inventory and it is now manifested in significant pork price inflation at retail. This situation will only get worse in the second half of the year as sup-



### China Beef Imports in Jan - Jun 2019. Metric Ton.

Source: China Customs

Import Partners	7/1/2018	7/1/2019	Y/Y MT	Y/Y %	Jan - Jul 2018	Jan - Jul 2019	Y/Y MT	Y/Y %
Brazil	22,748	30,505	7,757	34%	133,345	149,407	16,062	12%
Uruguay	15,524	26,968	11,444	74%	109,331	141,751	32,420	30%
Argentina	14,056	34,179	20,122	143%	67,043	151,426	84,382	126%
Australia	16,755	29,869	13,114	78%	78,067	126,189	48,121	62%
New Zealand	11,714	24,821	13,107	112%	54,984	101,657	46,673	85%
Canada	747	1,352	604	81%	2,649	8,572	5,922	224%
South Africa	447	-	(447)	-100%	2,393	1,873	(520)	-22%
Costa Rica	511	900	389	76%	2,151	4,737	2,586	120%
United States	360	821	460	128%	3,826	3,515	(312)	-8%
Other	368	2,798	2,430	660%	2,624	8,682	6,058	231%
<b>Total</b>	<b>83,231</b>	<b>152,213</b>	<b>68,981</b>	<b>83%</b>	<b>456,414</b>	<b>697,808</b>	<b>241,394</b>	<b>53%</b>

ply shortages come into focus. Additionally, fears from ASF have negatively impacted consumer pork demand, resulting in strong demand for other proteins. China is limited in its ability to expand domestic beef production, relying on imports to fill the gap. Tariff war with the US has resulted in more stringent border controls, which have limited its beef trade with Hong Kong and Vietnam. In July, total Chinese beef imports were at an all time record high of 152,213 MT, 83% higher than a year ago. The increase in imports was broad based. Imports from Australia in July were 29,869 MT, 89% higher than a year ago while imports from New Zealand at 24,821 MT

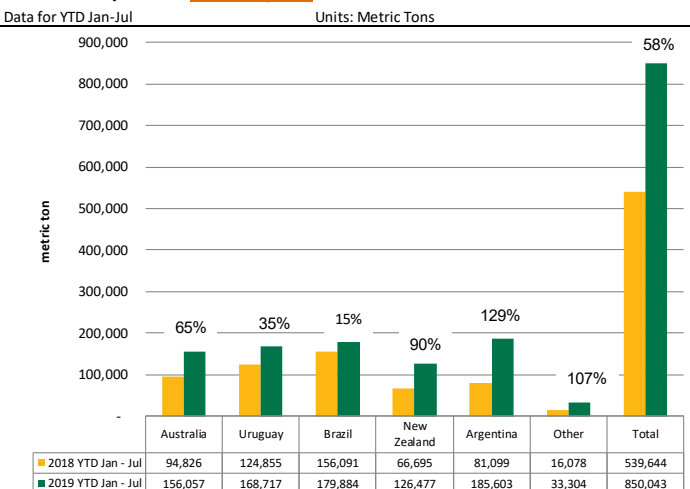


## Asia / EU Trade Statistics

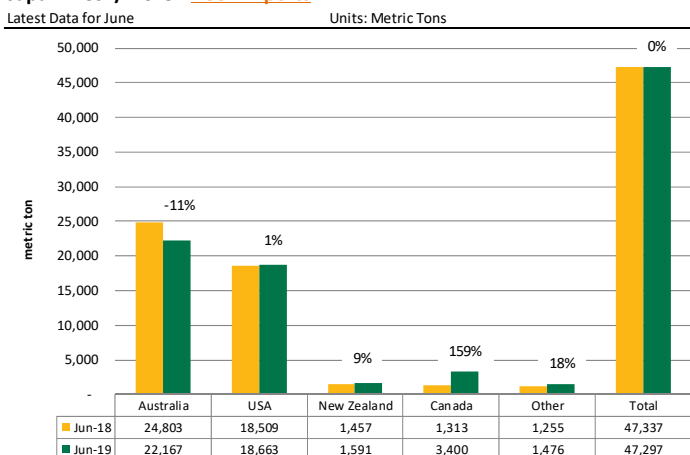
were up 112% from last year. Argentina and Brazil were the top two beef suppliers to China in July, accounting for over 40% of overall imports. Argentine cattle slaughter has been trending lower but this has not affected the amount of beef going to China but it has significantly reduced the amount of beef going to other markets. As for Brazil, beef exports to China have slowed down some, in part because packers that have sought to diversify to other markets but also because not all plants are certified to ship to China. As supply availability in some markets, including those in Asia, declines, we expect to see Chinese buyers start to focus more on Brazilian beef imports.

Japan beef imports in June were about unchanged compared to the same month a year ago at 47,297 MT. In the first six months of the year Japan beef imports were 293,012 MT, 4% higher than last year. Our current working forecast is for Japan imports to be up 5% this year. Australia remains the top beef supplier to Japan. Imports from Australia in the first six months of the year were 140,807 MT, 5% lower than a year ago. Imports from the US, the second largest supplier, were 116,675 MT, 5% higher. Imports from the US have increased despite the stronger USD and a higher tariff for US product, evidence of better demand for US product in the Japanese market. As US and Japan work on a trade agreement that is expected to lower tariffs on US product, we think this will continue to support higher US beef shipments to that market. Should the trade agreement be ratified this year, it is possible that next year the US will become the top beef supplier to Japan. Japanese beef imports (Jan-Jun) from New Zealand and Canada were relatively small at 10,097 MT and 17,302 MT, respectively. However, they have increased by 46% (NZ) and 93% (Canada) vs. year ago levels. These countries have benefited from the lower tariffs available from CPTPP.

### China Fresh/Frozen Beef Imports



### Japan Fresh/Frozen Beef Imports



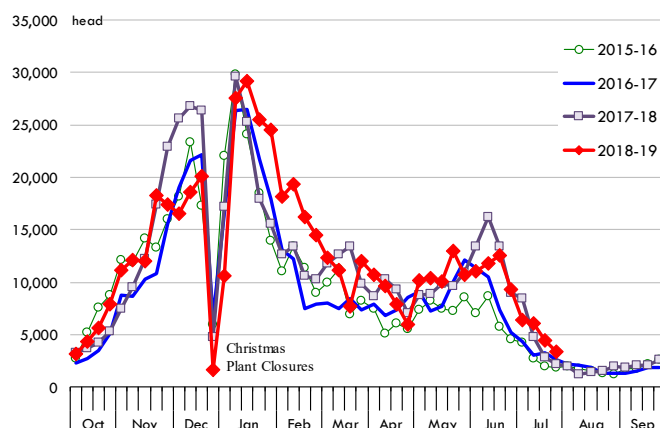
## Oceania Update

**New Zealand:** New Zealand slaughter is currently at seasonal lows and this generally results in a reduction in the amount of beef going to the US, traditionally the country's top market. However, the main reason for the reduction in exports to the US this year has been China rather than the seasonal shift. Total New Zealand beef exports in July were 39,146 MT, down from the annual peak of 52,332 MT back in May and also 9% lower than a year ago. Exports to the US market in July were a mere 9,407 MT, 50% smaller than a year ago and accounting for less than a quarter of all shipments. On the other hand, beef exports to China in July were 21,014 MT, 73% higher than last year and 54% of all New Zealand exports for the month. Through July New Zealand shipments to China were up 90% y/y while exports to the US were down 29%.

**Australia:** While Australian cattle slaughter has slowed down in recent weeks, it remains well above year ago levels. For the week ending August 16 total cattle slaughter was 140,560 head, down 4% from the previous week but still 1.8% higher than a year ago. In the last four reported weeks slaughter has averaged a little over 145k head/wk, 2.8% higher than the prior year. Seasonally slaughter drifts lower in August and September but much will depend on moisture conditions and so far there has been no significant change in the near or medium term rainfall outlook. A recent report from Meat and Livestock Australia noted that producers remain in liquidation mode, with record numbers of females (as a percentage of the herd) being sent to market. While in the short term this has helped support slaughter and beef production volume, it sets the stage for a potentially dramatic decline in output when conditions improve. The latest estimates from the Australian Bureau of Statistics peg the Australian cattle herd as of June 30 at 26 million head, a rather curious round number but likely appropriate given it is a guess at this point. Remember that back in April the June 30 cattle inventory was estimated at 25.2 million head. And the revisions do not just apply to the current year. Back in April, the June 30, 2018 Australian cattle inventory was estimated at 27.300 million head but it is now pegged at 28.052 million. The upward revisions occurred despite reported big losses of cattle due to floods earlier this year. Australian cattle slaughter in the 12 months ending June 30 was pegged at 8.1 million head, 3% higher than the year before and the highest since

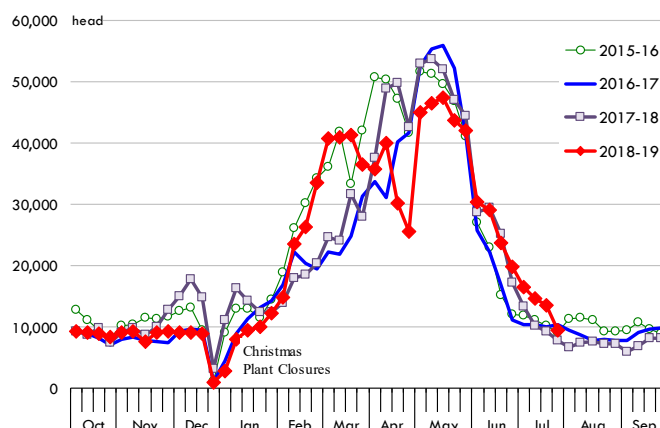
### New Zealand Weekly Bull Slaughter

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



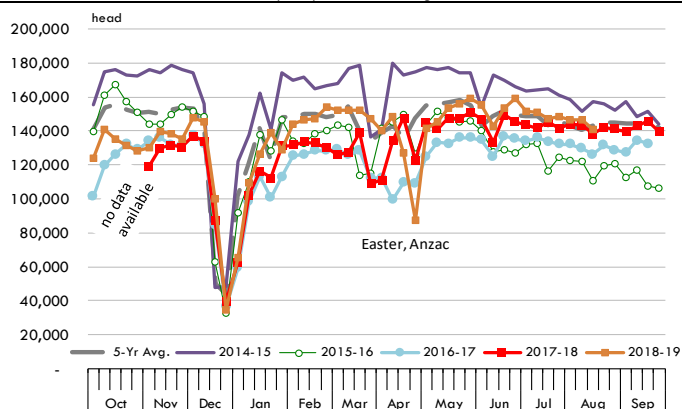
### New Zealand Weekly Cow Slaughter

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



2015. For the next 12 months MLA is forecasting Australian cattle slaughter to be about 1.2 million head or 15% lower than the prior year.

## Oceania Statistics

Australian beef exports in July were 114,965 MT, 9% higher than a year ago and the biggest monthly export volume since July 2015. We think August shipments will be around 104,000 MT, slightly under year ago levels.

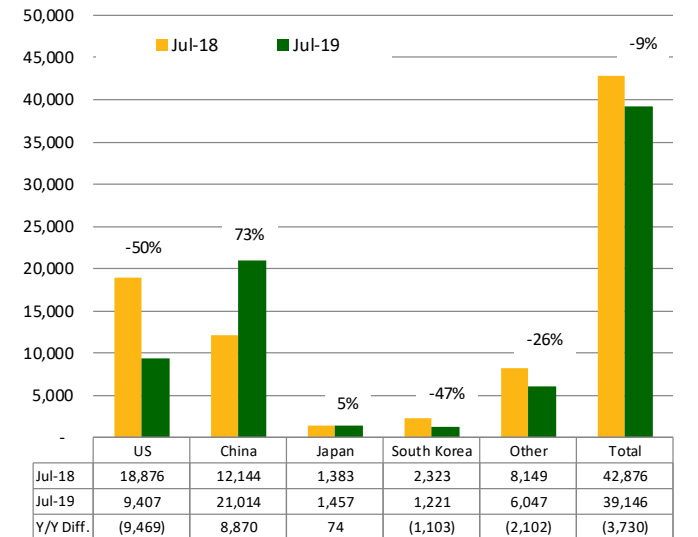
### Australia Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons

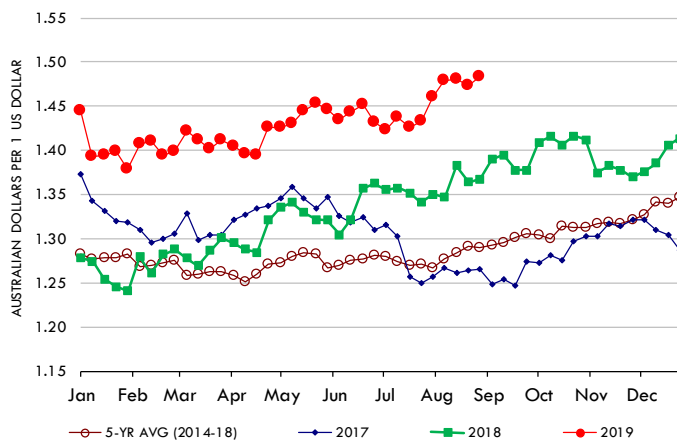


### New Zealand Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons



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



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

