



Global Beef Market Monthly Review

April 2021

April 29, 2021

Volume 3, Issue 4

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Highlights:

- US wholesale beef prices have skyrocketed in recent weeks as both retailers and foodservice operators jostle for supplies ahead of the start of the grilling season.
- Argentine cattle slaughter has recovered from the slow start in Jan/Feb, helping bolster exports. March shipments were 22% higher than last year, driven almost exclusively by higher exports to China.
- China beef imports in Q1 of this year were up 20% even as March exports were near the same as last year.
- Higher Chinese beef imports at a time of lower supply availability in the world market imply higher prices are needed to ration out demand.
- New Zealand cow slaughter seasonally increases in Q2. Good moisture conditions and price inflation expectations have resulted in lower cow slaughter during April.
- Canadian fed cattle slaughter in recent weeks has been as much as 20% higher than the five year average while non fed cattle slaughter is 12% below the five year average.
- Uruguayan beef exports in March were up 23% compared to a year ago, with exports to China capturing much of that increase

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	4,740,817	-53,233	-1%
Australia	19%	0%	Mar 2021	83,438	-10,516	-11%	1,039,410	909,484	-129,926	-13%
Argentina	2%	0%	Mar 2021	52,185	9,315	22%	617,584	574,353	-43,231	-7%
New Zealand	7%	0%	Mar 2021	50,138	-230	0%	472,804	477,532	4,728	1%
Brazil	18%	1%	Mar 2021	133,821	7,892	6%	1,725,214	1,802,849	77,635	4%
USA	11%		Feb 2021	79,485	-2,788	-3%	939,038	976,599	37,562	4%
IMPORTS							4,407,783	4,486,662	78,879	2%
USA		20%	Feb 2021	63,382	-11,910	-16%	1,069,777	984,195	-85,582	-8%
China	0%	9%	Mar 2021	218,709	2,663	1%	2,117,895	2,287,327	169,432	8%
Hong Kong			Mar 2021	24,899	-1,003	-4%	363,847	365,666	1,819	0%
Japan	0%	9%	Mar 2021	46,210	-1,339	-3%	600,394	606,398	6,004	1%
Russia	0%	8%	Feb 2021	19,485	-2,788	-13%	255,870	243,077	-12,794	-5%

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

North America Market Update

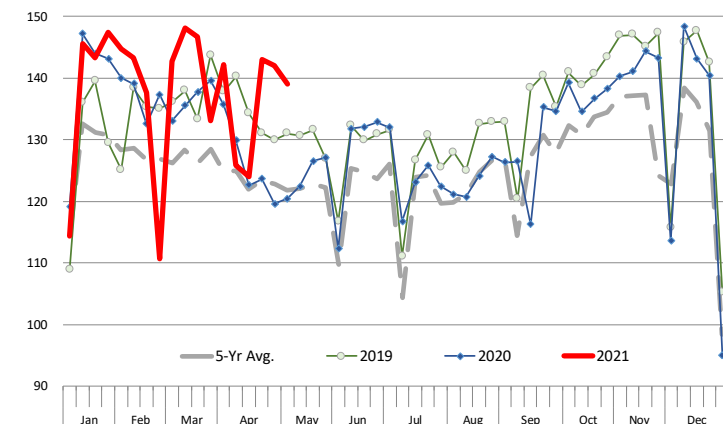
United States: On April 1 the total inventory of cattle in feedlots with +1000 head capacity was estimated at 11.897 million head, 600k head or 5.3% higher than the previous year. Comparisons to a year ago are skewed by the disruptions caused by COVID in packing plants as well as the impact of lockdowns on foodservice. The latest inventory number is 56k head or 0.5% lower than on April 1, 2019. One of the main challenges for feedlots recently has been the ability to stay current given available processing capacity. The latest survey suggests that front end supplies remain heavy. We think last week's fed cattle slaughter was around 528k head, the highest so far this year. If packers are able to maintain that slaughter pace, then feedlots should get incrementally more current through the summer. But, the margin of error is razor thin and even short term disruptions in slaughter, due to mechanical or computer problems, could negatively impact fed cattle values in the near term. We calculate that as of April 1 the supply of cattle that had been on feed for 150 days or more was 2.734 million head, 281k head or 11.5% higher than last year but only 22k head higher than in 2019. The inventory of cattle with +120 days on feed was 4.576 million head, 95k head or 2.1% higher than last year but 52k head or 1.1% lower than in 2019. These numbers are relatively high from a historical perspective, but not unprecedented. On April 1, 2012, the supply of +120 day cattle was 4.936 million head but by August 1 it had declined to 3.942 million. Again, harvest rate in the next two months remains key.

USDA also offered an indication of the supply on feed by class. As of April 1, the inventory of steers on feed was 7.407 million head, 4.6% higher than a year ago but 0.5% lower than on April 1, 2019. The inventory of heifers on feed on April 1 was 4.490 million head, 0.4% lower than in 2019. Little has changed in the supply of female calves in feedlots to suggest that we should expect a turn in the cattle cycle. At this point we think industry remains in a maintenance mode, something that may change if current drought conditions worsen this summer.

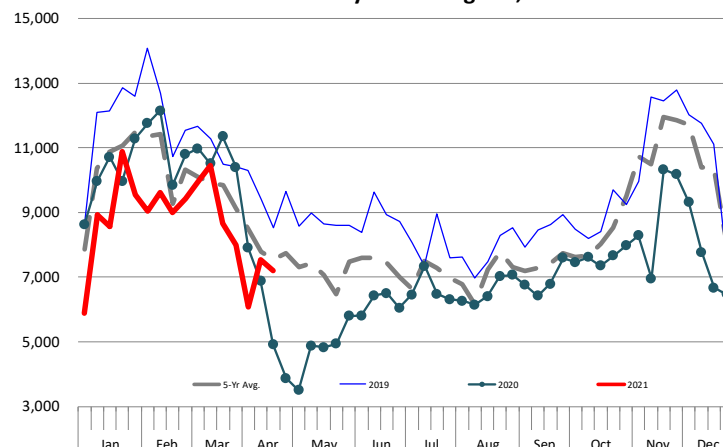
Processing capacity is a major bottleneck in the near term. Packers have been running at full capacity since last fall and there is little margin for error. A short term disruption in one major plant two weeks ago had a significant impact on the market. Beef demand is very strong currently due to seasonal improvement in retail demand and foodservice operators refilling the pipeline.

WEEKLY COW & BULL SLAUGHTER. '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



Canada Weekly Cow Slaughter, head



As a result, wholesale beef prices have increased sharply in recent weeks but limited capacity has prevented packers from ramping slaughter to meet demand. The gap between cattle and wholesale beef prices is second only to last year's COVID impacted trade.

Canada:

Fed beef supplies in Canada continue to track well above year ago and 2019 levels, while cow slaughter has been notably lower for much of the year. Lower exports to the US and higher on feed supplies at the start of the year are a key factor driving the increase in fed cattle slaughter. On the other hand, the steady decline in the size of the beef cow herd continues to limit the supply of cull cows available. Steer and heifer slaughter in the four weeks ending April 17 averaged 51,968 head/week, 19% higher than a year ago and 20% higher than the five year aver-

North America (continued)

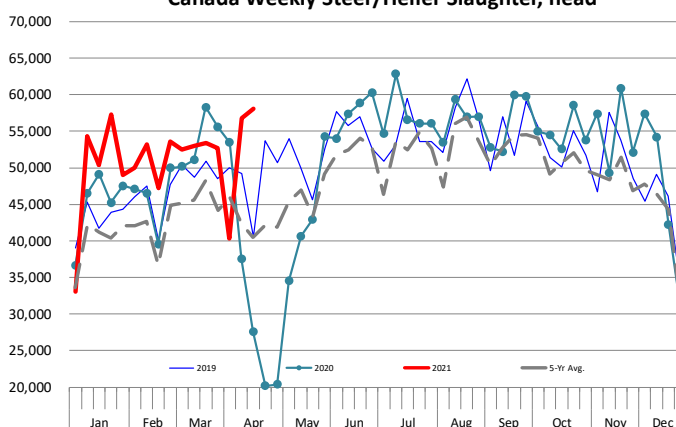
age. Cow slaughter during this period averaged 7,205 head/week, 4.2% lower than last year and 12.6% lower than the five year average. As the chart to the right illustrates, so far this year total cattle slaughter in Canada is up 6% from last year even as cow slaughter is down 12%.

Canadian beef imports so far have fallen well short of both last year and normal import levels. High prices and lack of availability in other markets continues to impact import volume. Total imports of fresh/frozen and processed beef through April 24 were 50,074 MT, down 10,473 MT or 17% lower than the previous year. The primary reason for the reduction in imports is due to: a) less chilled beef coming from the US, down 4,642 MT or 21% from last year and b) less frozen beef from Australia and Uruguay. Not all imports are down, however. Imports of frozen beef from New Zealand so far are 5,963 MT, up 11% compared to a year ago.

Mexico: Beef production in Mexico has been expanding at a steady pace in the last few years and the official statistics published in the first three months once again showed growth compared to the previous year. However, the pace of growth slowed down modestly, and it appears that output for the year may fall short of the growth levels we have seen in recent years. Beef production in March was estimated at 167.8 million pounds, 1.8% higher than the previous year. In the first three months of the year, total beef production was 503.8 million pounds, 2% higher than last year. In the last five years, however, beef production in Q1 has averaged 2.5% above the year prior. For the year USDA is forecasting beef production to be up 1.9% compared to the previous year and, so far, production data is on track to hit that target. Beef production in Mexico is expected to slow down further in the next 12-24 months due to the expected slowdown in beef cow herd expansion and the calf crop. The latest data from USDA pegs the beef cow herd on January 1, 2021 at 7.950 million head, just 50k head higher than the previous year. In 2020, the beef cow herd was 200k head higher than in 2019. The decline in the beef cow herd implies a reduction in the calf crop. Current estimates are for the calf crop in 2020 at 8.110 million head (includes calves from dairy production), up 2.7% from the previous year. But calf crop for 2021 is forecast at 8,163 million head, 0.7% higher than in 2020.

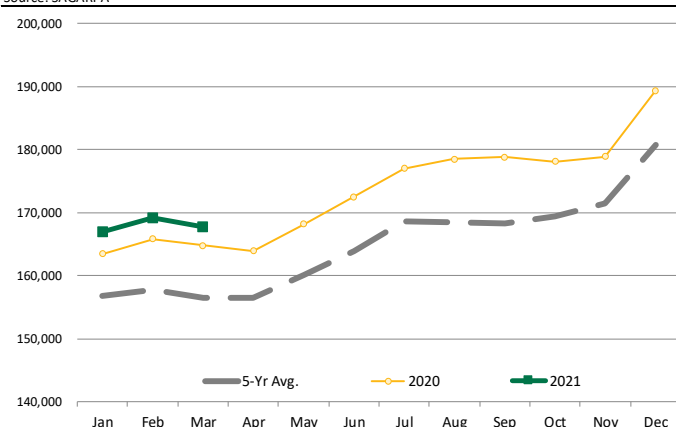
US imports of fresh/frozen beef from Mexico in

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA

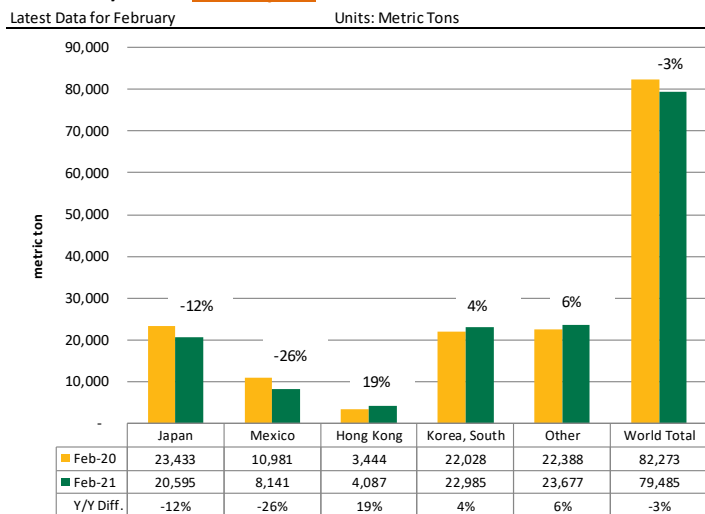


February were 17,569 MT, 4% lower than the previous year. In the last quarter of the year, imports declined 26% from the year prior but they are showing signs of recovery. February imports were the highest since last September and during four weeks in March imports were close to 20,000 MT.

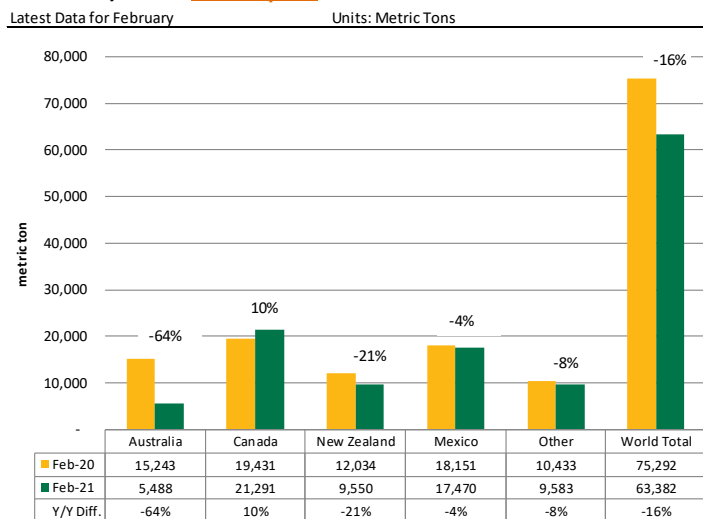
US imports from Central American countries are also showing signs of improvement as escalating prices are encouraging producers to ramp up slaughter and also divert product away from domestic markets and other markets. In February US beef imports from Nicaragua were 4,386 MT, 25% lower than the previous year. In the four weeks in March imports from Nicaragua were near 5,000 MT and we think April imports could be as high as 6,000 MT.

North America Trade Statistics

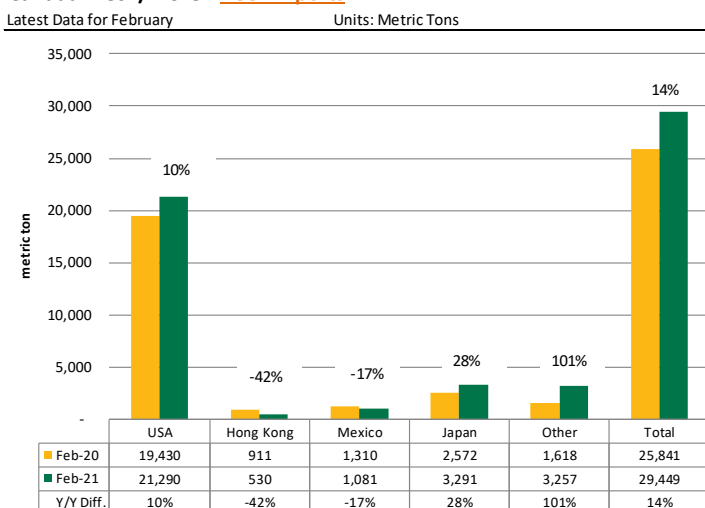
USA Fresh/Frozen Beef Exports



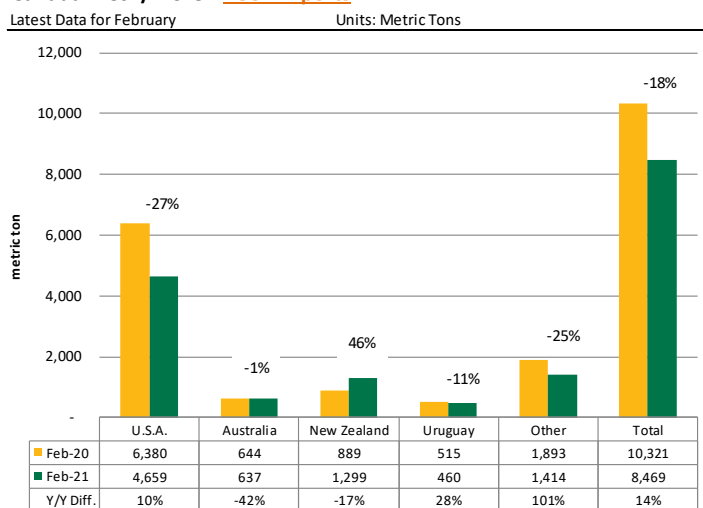
USA Fresh/Frozen Beef Imports



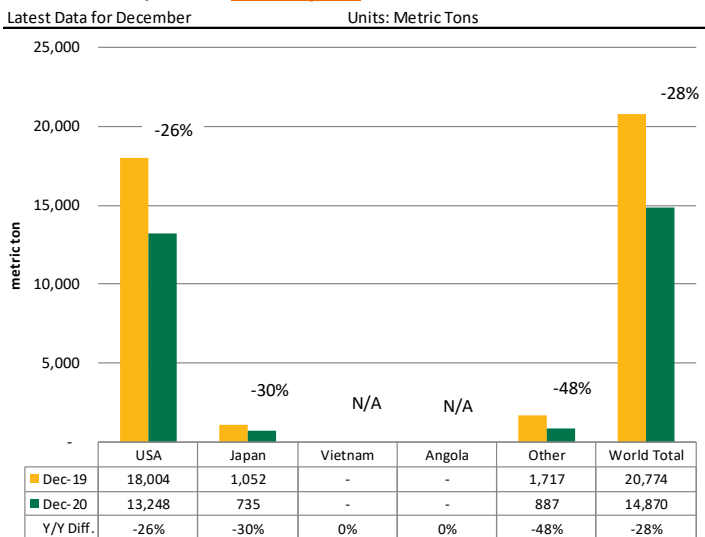
Canada Fresh/Frozen Beef Exports



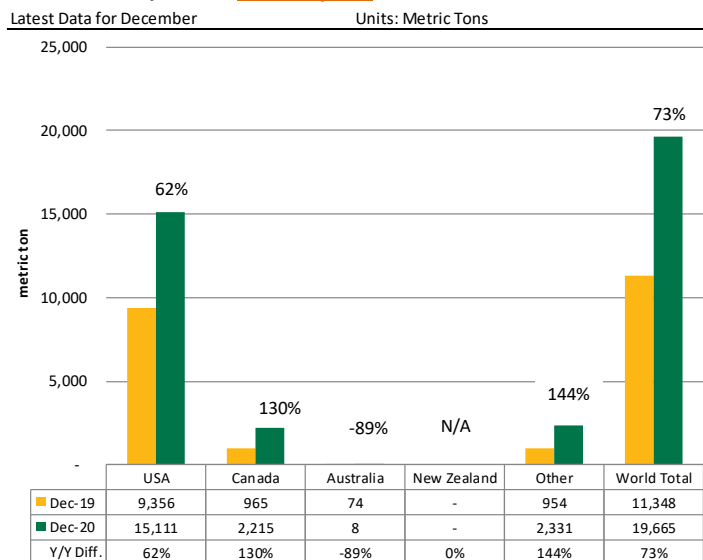
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



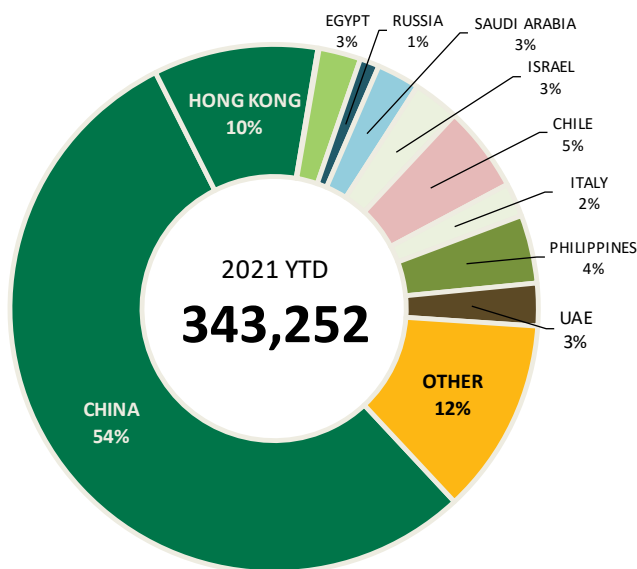
South America Market Update

Brazil: Brazilian cattle slaughter has been well below year ago in the first three months of the year as plants not eligible to ship to export markets find it difficult to pass on the higher cattle prices to consumers. The weaker Brazilian currency has helped keep cattle/beef prices in check in US dollar terms while domestic consumers have seen rampant inflation. Personal incomes have not kept up with the increase in inflation, resulting in lower domestic beef consumption. In the first three months of 2021, cattle slaughter in Brazil is estimated down 12% compared to a year ago. However, beef exports have continued to increase, driven by insatiable Chinese beef demand. March shipments of fresh/frozen beef were 133,821 MT, 6% higher than the previous year. Exports to China were 68,842 MT, almost 17,000 MT or 33% higher than last year. The increase in China continues to pull product away from other markets. Exports to Egypt in March, for instance, were down almost 3,500 MT or 57% from a year ago. In the first three months of the year Brazilian beef exports were 10,264 MT or 3% lower than a year ago. However, exports to China during this period were almost 45,000 MT or 31% higher than the previous year. Mainland China accounted for more than half of all Brazilian beef exports in Q1 and when we add exports to Hong Kong, market share increases to 64% of all export shipments. Brazil is looking to certify more plants for export to China as well as have more plants certified to ship to Russia and other markets. Weakness in domestic demand remains a major challenge, especially as the country continues to struggle with new COVID infections and a high death rate.

Argentina: Cattle slaughter was down double digits to start the year but it has been slowly improving ever since. March slaughter was estimated at 1.140 million head, 4.3% higher than a year ago and 16% higher than in January. The increase in supply availability helped bolstered exports last month, which were estimated up 22% from the previous year. As with other South American countries, China is by far the main export destination. In March, shipments to China were 39,020 MT, 9,194 MT or 31% higher than a year ago and accounting for 75% of all Argentinian beef exports for the month. That share is the same as the share of exports during all of Q1. Exports to

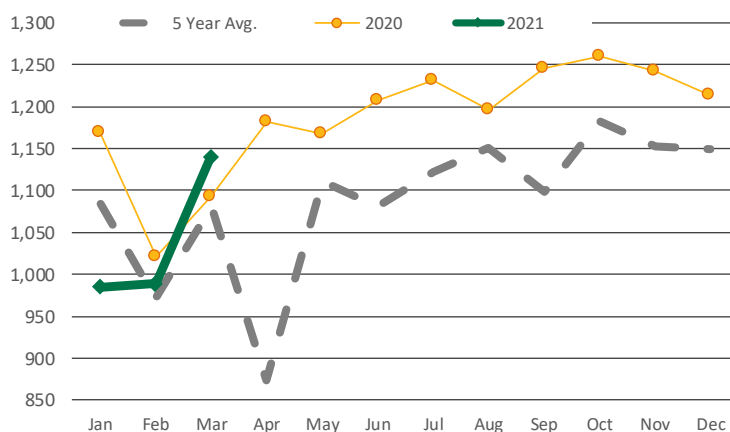
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan-Mar 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



other markets also saw some improvement in March. Exports to Chile were 3,073 MT, 13% higher than a year ago while exports to Israel at 3,638 MT were 31% higher than last year. Russia is no longer a significant market for Argentine packers. This is largely due to Russian efforts to rebuild the domestic industry by using non-tariff barriers. Exports to the US market remain limited. While lack of quota is an issue, higher prices in other markets continue to divert more product away from the US. In the first three months of the year, exports of fresh/frozen beef to the US were under 3,000 MT. This is higher than last year but well below expectations. Higher imported beef prices

South America (continued)

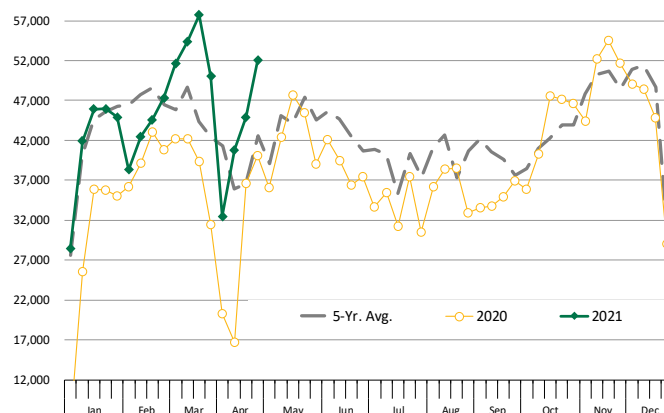
es in the US should bolster shipments in Q2, however.

Uruguay: Slaughter in the last two months has been notably above “normal” levels, helping bolster supply availability and exports. Demand in the world market has been extremely strong and combined with the weaker currency that continues to incentivize exports, especially to key markets such as China. In the four weeks ending April 17, total cattle slaughter averaged 42,056 head per week, up 60% from a year ago and 6.7% higher than the five year average. Comparisons to the five year average are more meaningful in our view because last year COVID disruptions resulted in a sharp decline in slaughter. Steer slaughter during the reference period averaged 20,010 head/wk, double last year’s levels and 14.5% higher than the five year average. Cow slaughter averaged 16,582 head/week, 14% lower than the five year average.

Uruguayan beef exports in March were up 23% compared to a year ago, with exports to China capturing much of that increase. Shipments to China in March were 25,337 MT, 45% higher than a year ago and capturing 65% export share. That’s in line with the export share in the first three months of the year at 64%. Total Uruguayan chilled/frozen beef exports in Q1 were 90,933 MT, 26% higher than the previous year. Exports to the US during those three months were 8,709 MT, down 7% from last year.

Uruguay Cattle Slaughter, Total

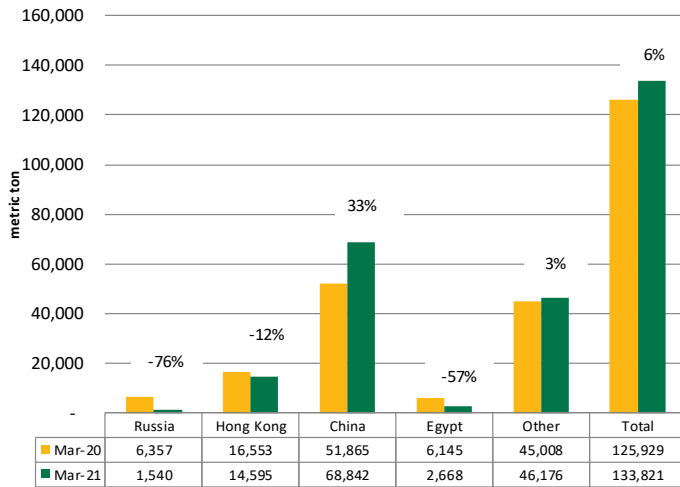
Weekly Slaughter in Head. Source: World Beef Report



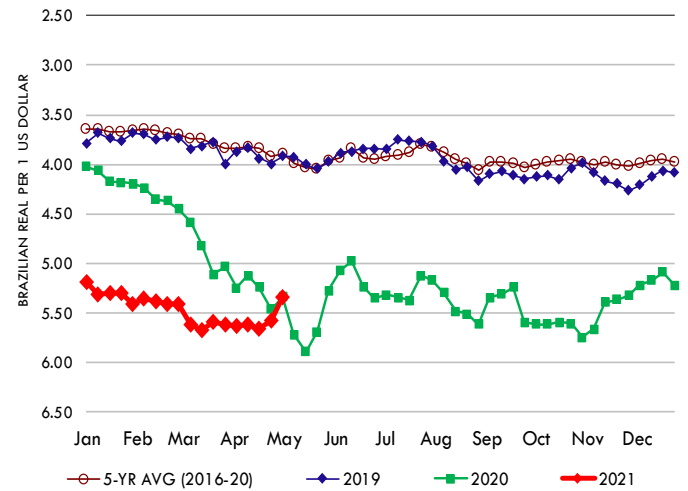
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons

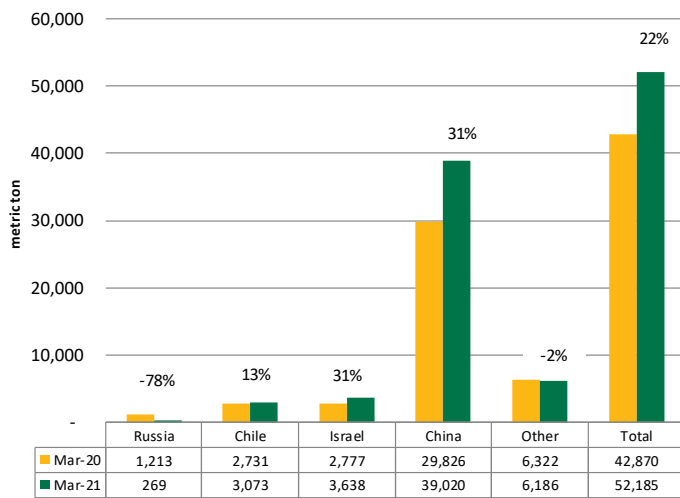


Brazilian Real Per 1 US Dollar

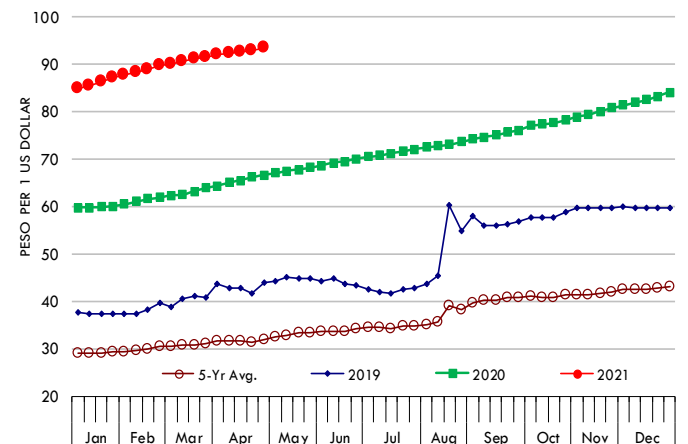


Argentina Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons

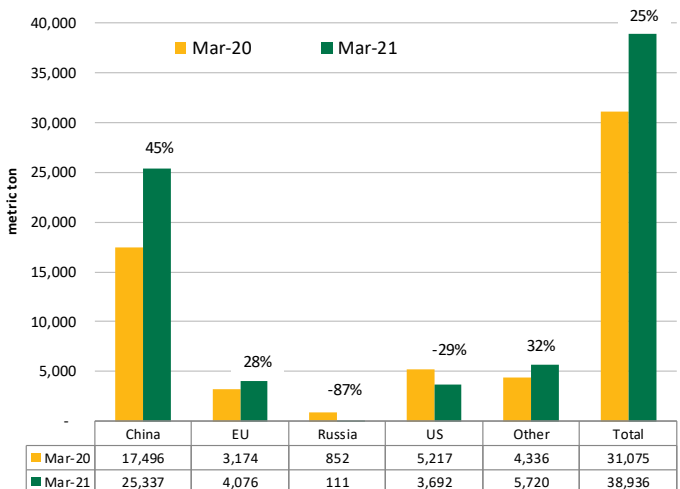


Argentine Peso Per 1 US Dollar

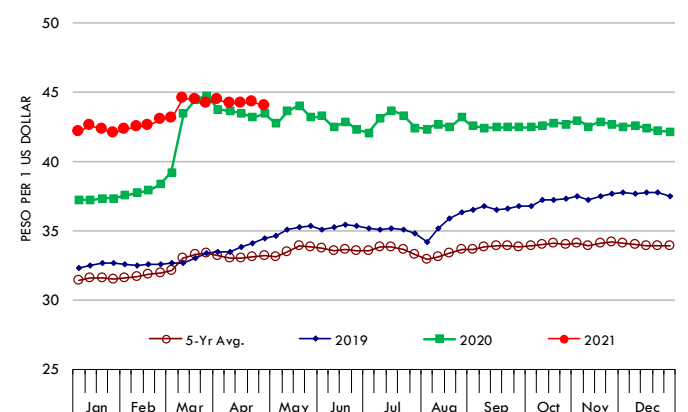


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Mar 2021 Units: Metric Tons



Uruguay Peso Per 1 US Dollar

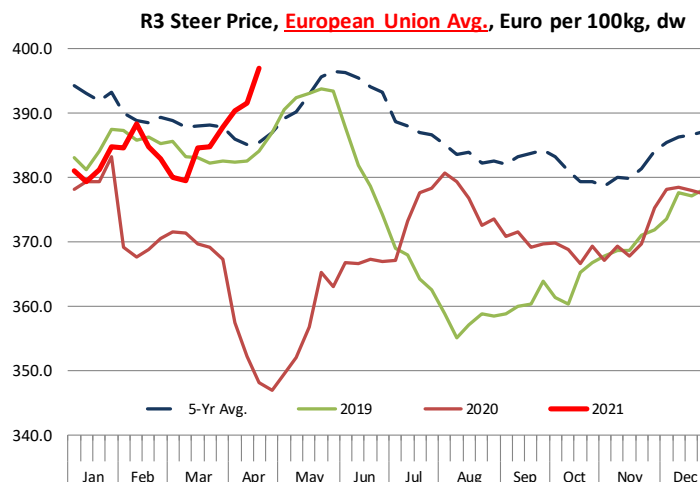


Asia / EU Market Update

European Union: Irish cattle slaughter was down sharply in the first three months of the year as Brexit has significantly disrupted trade flows with the UK, the largest market for Irish beef. However, Brexit has not only affected the amount of beef coming into the UK but also the amount of UK agricultural products going into the EU. Recent reports note that sales of UK cream and milk to the EU are down 96% and sales of chicken and beef are down almost 80%. As more UK produced items are staying within the country, imports have struggled as well. Comparison to 2020 will appear artificially positive in April and May because of COVID on slaughter plants a year ago. However, recent slaughter remains well below 2018 and 2019 levels. In the four weeks ending April 18, cattle slaughter in Ireland averaged 30,752 head/wk. This is 3.6% higher than a year ago but still 12% lower than in 2019. Year to date cattle slaughter in Ireland is down 12.8% compared to 2019.

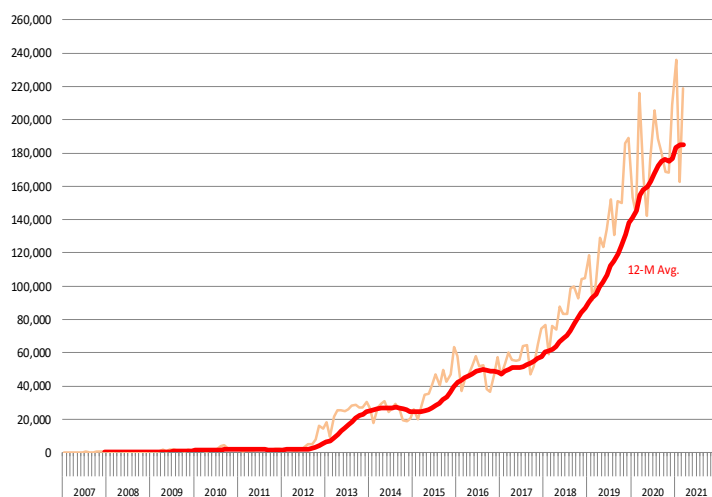
Exports of fresh/frozen beef in February were estimated at 29,417 MT, up from 25,931 MT in January but still well short of the 40,613 MT that was shipped in December of last year. Last March, exports to Great Britain and Northern Ireland were a little over 18,000 MT, accounting for about half of all Irish beef exports. In February of this year total exports to GB and NI were 11,600 MT, representing a 39% share of exports. Irish beef exports to the US in February were 529 MT compared to 702 MT in January and an average of 661 MT in the last three months of 2020. We expect Irish beef imports to increase marginally in Q2 given higher US beef import prices with a target of about 10,000 MT for all of 2021.

China/Japan/S. Korea: Chinese beef imports in March imports were estimated at 218,709 MT, up just 1% compared to a year ago. We think this has largely to do with the fact that COVID significantly skewed imports in 2020. Workers did not unload ships in Jan/Feb due to lockdowns and so March imports of 2020 were 216k MT compared to 143k MT in February of that year. Chinese beef imports in January of this year were almost 236k MT and in the first three months of the year they were a total of 617k MT. Our current forecast (see page 1) is for Chinese beef imports to increase 8% in 2021 vs. 2020. Chinese buyers continue rely on South American suppliers to fill much of their needs. Imports from Brazil in the first three months of the year were up 60,000 MT or 33% compared



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

Data Source: China Customs Administration. Analysis by Steiner Consulting



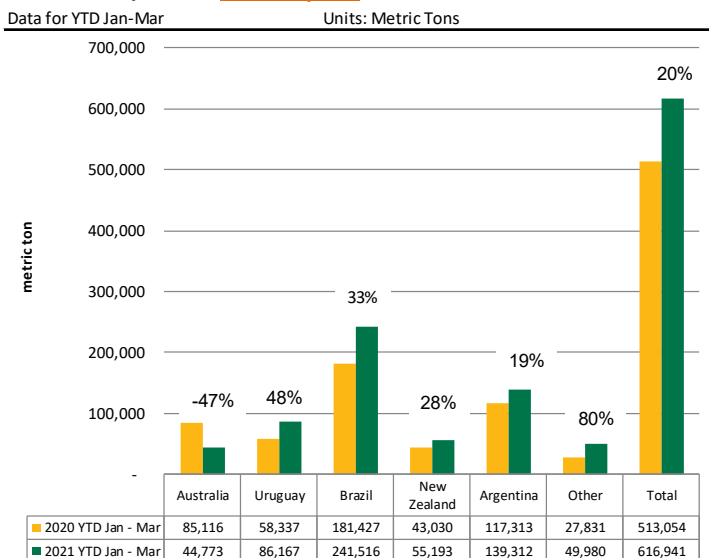
to the same period last year and imports from Uruguay and Argentina were up 27,700 MT and 21,700 MT, respectively. On the other hand, imports from Australia during the last three months have declined by a little over 40,000 MT or 47%. China is currently sourcing some beef from the US. While the overall volume remains small relative to overall demand, the increase in US beef imports has offset about 42% of the reduction in Australian imports. China is currently on track to import as much as 90,000 MT from the US this year

Japanese cattle slaughter in February was estimated at 77,307 head, 0.8% lower than the previous year. Cow and heifer slaughter in February was estimated at 35,778 head, 0.4% lower than the previous year. Cow and heifer slaughter from wagyu breeds was down 1.7% but slaughter from dairy breeds at 12,708 head was

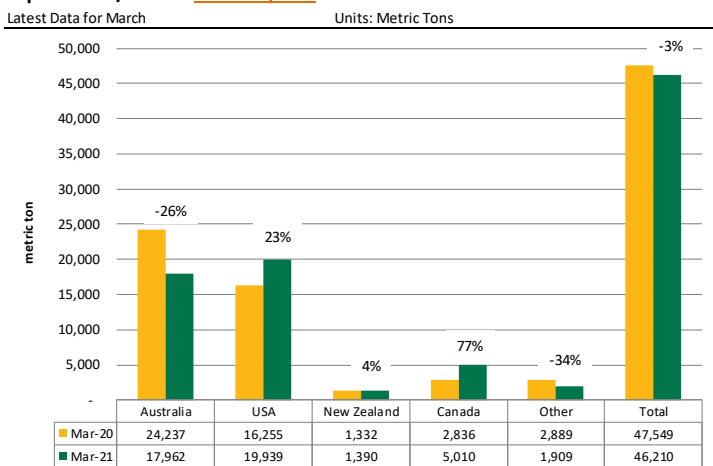
Asia / EU Trade Statistics

1.4% higher than last year. Lower supply and higher prices for imported beef continues to drive beef price inflation in Japan. Retail beef prices are up across most items, especially for imported product. For instance, in March the retail price for imported briskets was up 17.4% compared to the same period a year ago and the price of imported chuck rolls was up 5.6%.

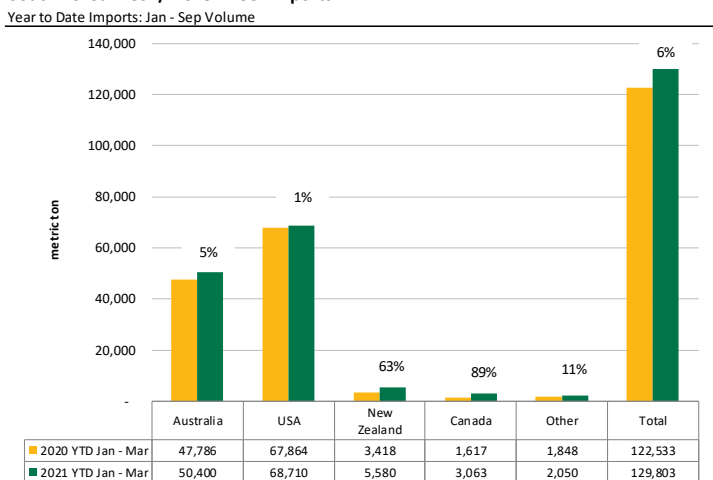
China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



South Korea Fresh/Frozen Beef Imports



Oceania Update

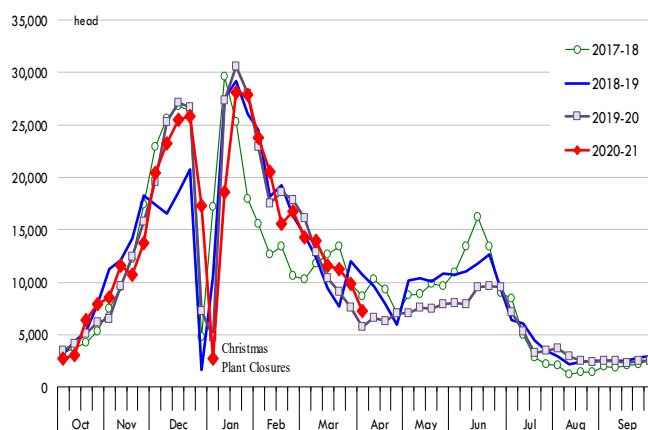
New Zealand: New Zealand slaughter is following the seasonal trend although March slaughter saw more bulls coming to market and fewer cows. In the four weeks ending March, total cattle slaughter in New Zealand averaged 70,665 head/week, 5% higher than a year ago but 2.7% lower than two years prior. Bull slaughter during this period averaged 11,701 head/week, 17% higher than last year and 13% above 2018-19. Higher bull slaughter during February and March means less supply available come May and June. We expect weekly slaughter to hover around 7,500 head/week during those two months before declining to around 2500 head/week during Jul/Aug/Sep. Cow slaughter in the last four reported weeks averaged 32,033 head per week, down 14% compared to last year and 21% lower than two years ago. Good moisture conditions and escalating beef prices have producers holding on to their stock, looking to capitalize on the run-away market.

Australia: Easter holiday disruptions caused weekly slaughter to drop to 70k head in early April. While slaughter is back to around 100k head, it still remains 22% below year ago levels (see chart). Weekly slaughter in Queensland was last reported at 85,432 head, down 30% from a year ago. Feed supplies across major cattle regions are in good shape and this has allowed producers to both retain female stock and limit the number of cattle they send to market. Feeder cattle prices continue to hover near all time record levels, with the EYCI currently at \$909/100kg, 49% higher than a year ago. Feed prices are lower as supply has notably improved. Feed wheat prices are currently 19% lower than last year and feed barley prices are down 13% compared to a year ago.

The reduction in slaughter and high prices continue to limit beef exports. Total shipments in March were 83,438 MT, down 11% compared to the already low export volume of a year ago. Current trend in shipments suggests that exports in April may be under 70,000 MT, 26% lower than a year ago. Exports to the US market have struggled to gain traction despite robust prices. In March, shipments to the US were 12,680 MT, 26% lower than the previous year. Chilled beef shipments were 4,800 MT, down 10% y/y while frozen beef shipments at 7,880 MT were down 33.5%. We think that April shipments may be around 11,500 MT, down 26% compared to last year. Exports to Japan in March were 20,130 MT,

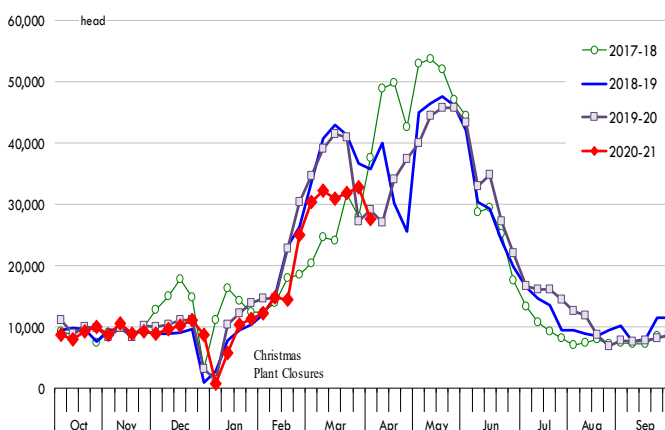
New Zealand Weekly Bull Slaughter

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



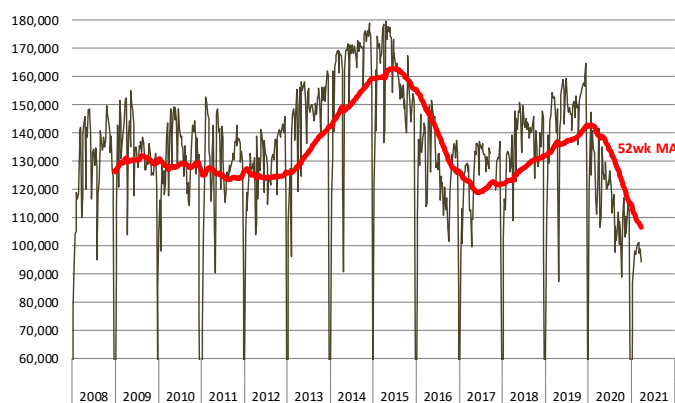
New Zealand Weekly Cow Slaughter

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



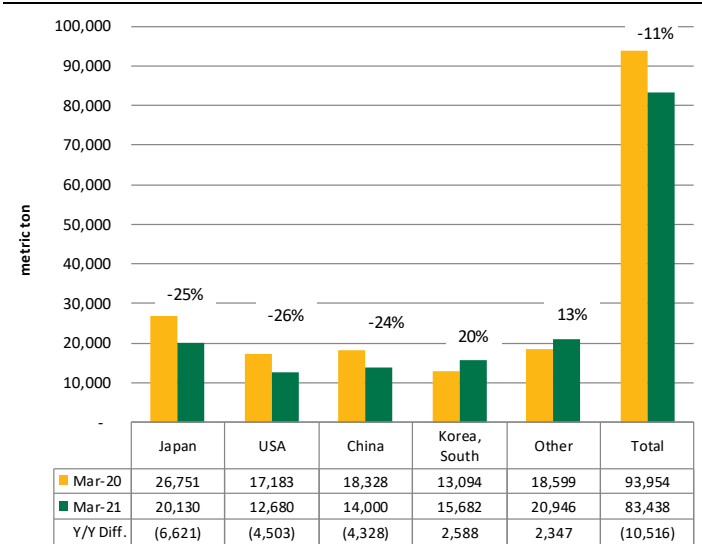
25% lower than a year ago. On the other hand, exports to S. Korea in March improved to 15,682 MT, up about 3,500 MT from the previous month and 20% higher than

Oceania Statistics

a year ago. Exports to China were also higher although they remain below year ago levels. March shipments were near 15,000 MT, up from 11,676 MT in February but 19% lower than last year.

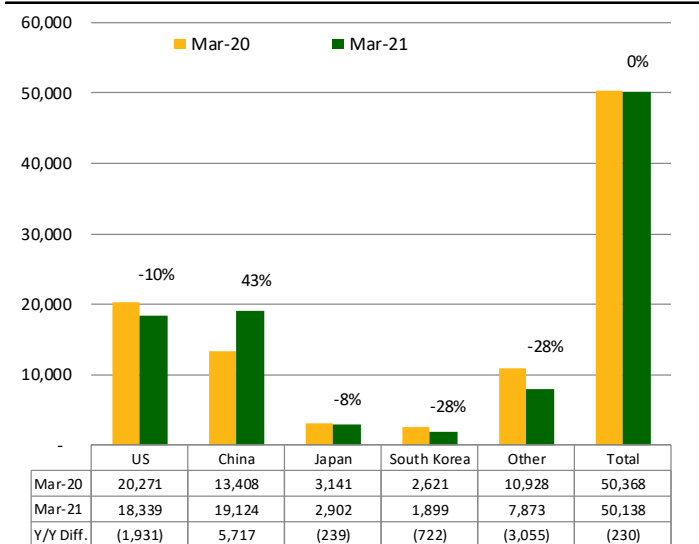
Australia Fresh/Frozen **Beef Exports**

Latest Data for March Units: Metric Tons



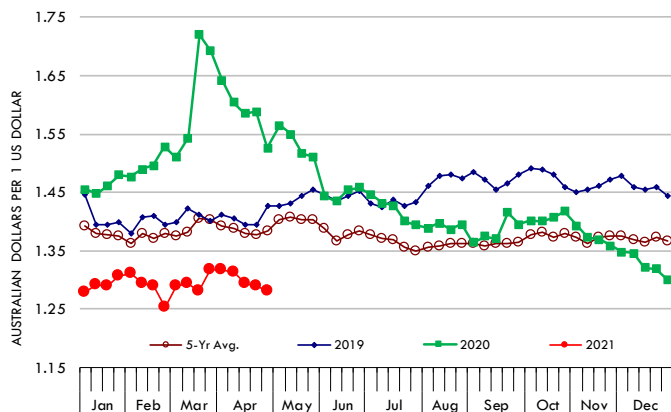
New Zealand Fresh/Frozen **Beef Exports in March**

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

