

# Global Beef Market Monthly Review

## November 2019

December 27, 2019

Volume 1, Issue 12

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### Highlights:

- Increase in China beef imports in November far outpaced the growth in exports from major exporting countries. Higher prices were required in October and then again in November in order to ration out available demand.
- New Zealand exports were modestly lower in November, a result of lower slaughter. However, exports to China for the month were up 80% from a year ago while exports to the US dropped 57%. This is as good an illustration of the current trends in the global beef market as you can find.
- There are real concerns about the continued growth in global beef supplies in 2020. Australia drought has resulted in a dramatic liquidation of the female herd, which will tend to limit supply potential in the coming years. Argentina also continues to push more cattle to slaughter but changes in government policy could constrain growth in 2020.
- Brazil cattle prices jumped sharply higher in November, a result of much stronger demand from Chinese buyers. The combination of export demand and a seasonal increase in domestic demand resulted in a 40% jump in Brazil cattle prices from October levels. December cattle prices have pulled back some, in part because Chinese buyers have sought to renegotiate some of the purchases that were made back in November.

### 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%	Nov 2019	103,782	8,312	9%	1,125,653	1,204,449	78,796	7%
Argentina	2%	0%	Oct 2019	65,037	25,932	66%	368,577	552,865	184,288	50%
New Zealand	7%	0%	Nov 2019	31,673	-959	-3%	436,863	463,075	26,212	6%
Brazil	18%	1%	Nov 2019	155,582	25,010	19%	1,353,290	1,488,619	135,329	10%
USA	11%		Oct 2019	78,770	-8,168	-9%	1,007,761	977,528	-30,233	-3%
<b>IMPORTS</b>										
USA		20%	Oct 2019	77,246	2,033	3%	963,234	972,867	9,632	1%
China	0%	9%	Nov 2019	185,991	81,713	78%	1,039,389	1,631,841	592,452	57%
Hong Kong			Oct 2019	29,912	-7,813	-21%	435,056	369,798	-65,258	-15%
Japan	0%	9%	Oct 2019	55,358	3,938	8%	607,716	616,832	9,116	2%
Russia	0%	8%	Oct 2019	24,284	-9,120	-27%	314,220	304,793	-9,427	-3%

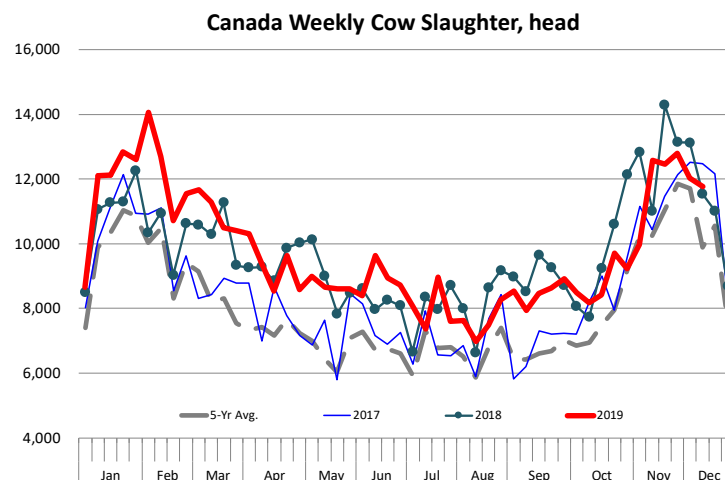
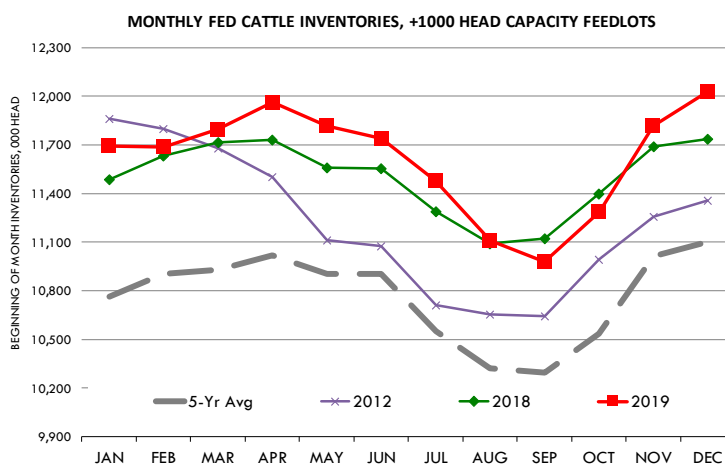
\*\*\* Product wt. basis. Projections for 2019 made by Steiner Consulting.

## North America Market Update

**United States:** According to the latest USDA feedlot survey, feedlots with +1000 head capacity placed 2.093 million head of cattle on feed during November, 97k head or 4.9% more than a year ago and well above the 1% increase that analysts were expecting. Feedlots placed 620k head of cattle that were under 600 pounds, 70k more than the previous year. While normally it takes 5-6 months for feeder cattle to reach market weight, light calves could stay on feed for as long as 9 months. This would imply some of the additional cattle that were placed on feed in November may impact the June contract more than April. Placements in other weight groups were also higher but the increase was rather modest relative to year ago levels. Front end cattle supplies remain somewhat heavy compared to last year, which has helped keep nearby fed cattle prices in check. Using the data in the latest COF report and in previous reports, we calculate that the supply of cattle that on December 1 had been on feed for over 150 days was 2.099 million head, 7.3% higher than a year ago. The supply of +120day cattle at 3.733 million head was 2.7% higher than last year while the supply of +90day cattle at 5.556 million head was down 1.7%. Cattle slaughter has increased in the last two weeks as the Tyson Kansas facility slowly returns to full production. We estimate fed cattle slaughter for December at +4.4% from a year ago, in part due to one extra marketing day. We think this will help in absorbing some of the extra supply of market ready cattle. Supplies available for February should be near or even below year ago levels. As noted earlier, the higher placements in November will likely not impact the market until late April and more likely in May and June.

**Marketings:** According to USDA feedlots marketed 1.813 million head of cattle in November, 3% less than a year ago, fairly close to the average 2.8% decline that analysts were expecting. There was one less marketing day in November, which contributed to the decline. The feedlot turnover rate (ratio of marketings vs. inventory of +90 day cattle) was 32.7%, compared to 34% a year ago and 33.7% for the five year average. With one extra marketing day in December and resumption of operations in the Kansas plant, we expect the turnover rate in December to be around 33% compared to 30.8% last year.

On November 1 the total inventory of cattle in feedlots with +1000 head capacity was 12.031 million head, 2.5% higher than a year ago and 0.6% higher



than analysts were expecting. In the last three months (Sep/Oct/Nov) fed cattle placements have been 363,000 head larger than the same period a year ago. This should help bolster the supply of cattle that will be available in the spring and helps explain why there is currently such a narrow spread between February and April fed cattle futures.

**Canada:** Canadian fed beef supplies have been running above year ago levels for much of this past year and it appears they will continue to increase through the first half of 2020. According to CanFax, the Dec 1 inventory of cattle on feed in Alberta and Saskatchewan feedlots was 1.135 million head, 9% higher than the previous year. In the last three months, heifer placements have increased by 14% compared to the same period a year ago while steer placements were 24% higher than last year. Steer

## North America (continued)

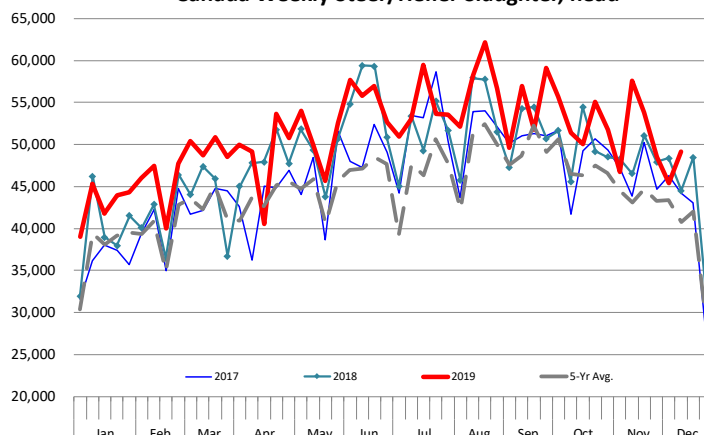
and heifer slaughter in the four weeks ending December 14 averaged 49,121 head/wk. 2.6% higher than a year ago and 14.4% higher than the five year average. Cow slaughter during this period averaged 12,256 head/wk, 5.9% lower than a year ago but still about 10.2% higher than the five year average.

Robust domestic production and a weak Canadian dollar have limited the supply of imported beef coming into Canada. Total beef imports from all destinations through mid December were down 14.1% from the previous year. The US is the largest beef trading partner with Canada. Through mid December, imports of US beef and beef products were 104,028 MT, 11% lower than a year ago. Imports from Australia at 21,738 MT were down 32.6% and imports from New Zealand at 17,224 MT were 32.7% lower than last year. Imports of chilled beef from smaller suppliers are up 81%, largely due to more imports from Mexico. Imports of frozen boneless beef from smaller supplying countries are up 1,561 MT, 54% higher than a year ago.

**Mexico:** Mexican beef production has been increasing at an average rate of 2.3% so far this year. October beef production in Mexico was estimated at 173,966 MT, 1.2% higher than the previous month and 2.8% higher than the same period a year ago. Beef production was up in October even as supplies from major beef producing states, such as Jalisco and Veracruz, were less than expected. Jalisco beef production in October was 20,247 MT, 0.4% lower than a year ago. Production in Veracruz was 22,798 MT, 1.3% higher than the previous year.

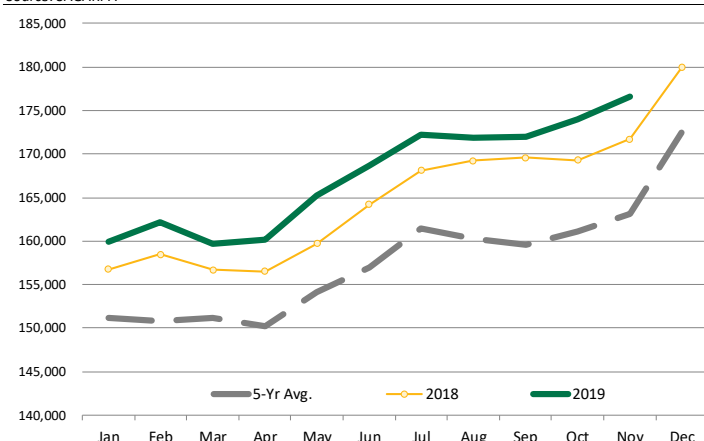
The steady gains in production and a weak Peso have contributed to a significant increase in Mexican beef exports. The latest data is for September and shows total exports of fresh and frozen beef were 19,938 MT, 14% higher than the previous year. Year to date Mexican beef exports were 189,166 MT, 15% higher than a year ago. The US market remains the top export destination for Mexican beef. Shipments to the US In September were 17,466 MT, 14% higher than last year. Japan is the second largest destination with 915 MT and exports to other markets are minimal at this time. Beef imports in September were 10,987 MT, 1% lower than last year. Imports from the US were 8,783 MT, 5% lower than last year while imports from Canada at 1,278 MT were 29% higher than a year ago.

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

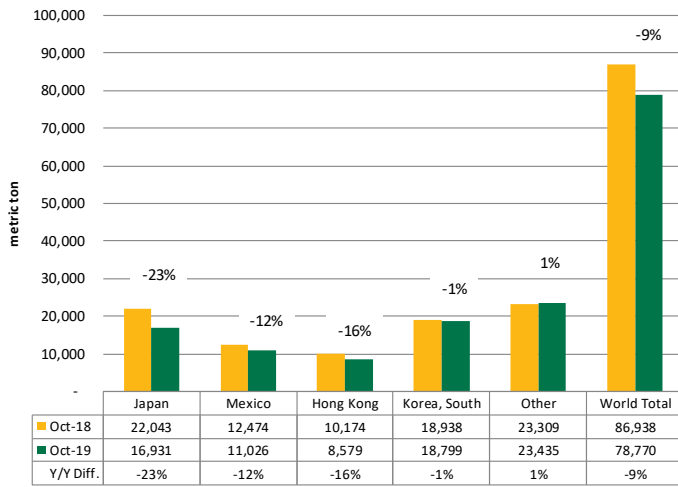
Source: SAGARPA



## North America Trade Statistics

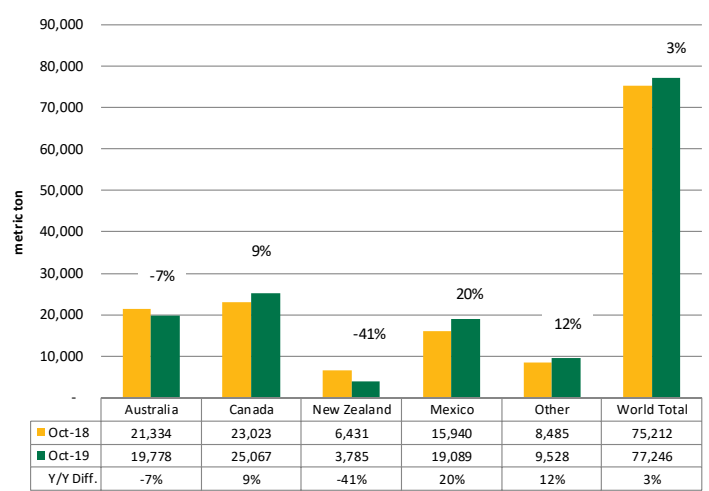
### USA Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons



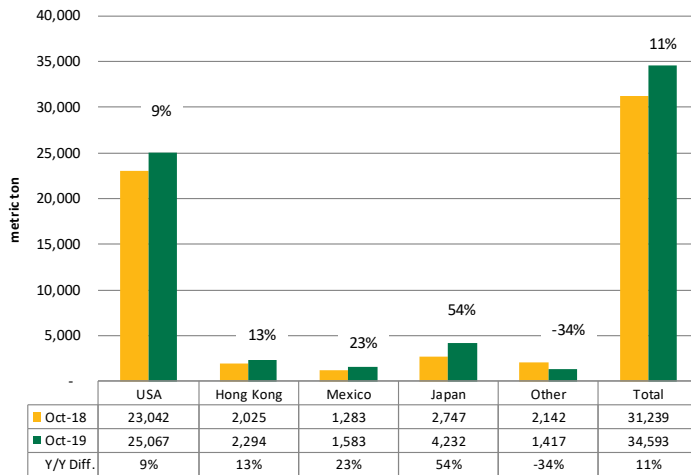
### USA Fresh/Frozen Beef Imports

Latest Data for October Units: Metric Tons



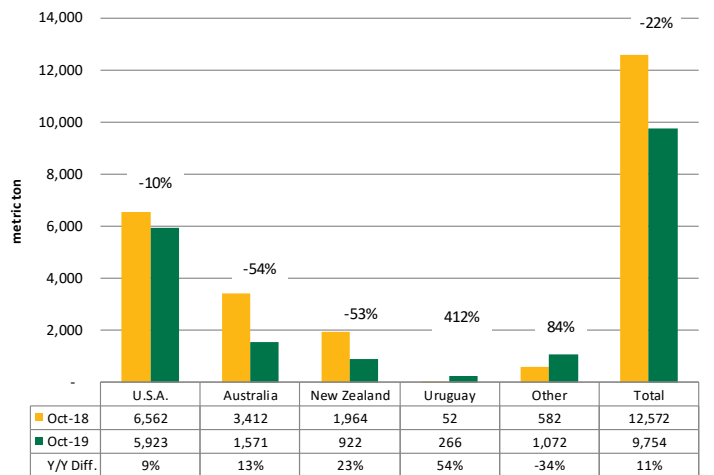
### Canada Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons



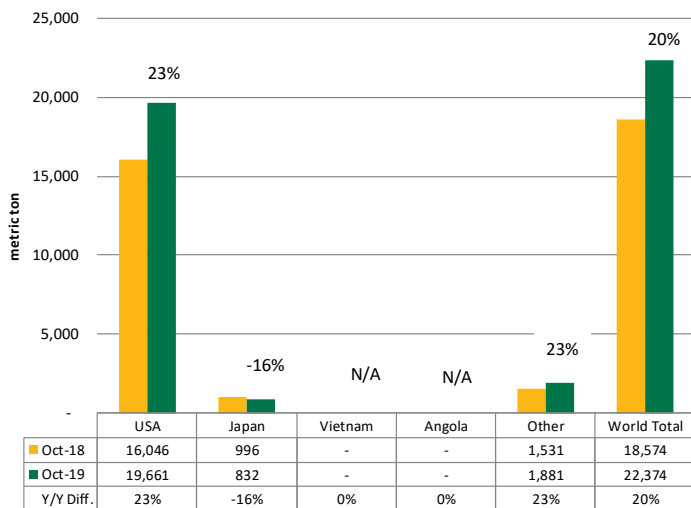
### Canada Fresh/Frozen Beef Imports

Latest Data for October Units: Metric Tons



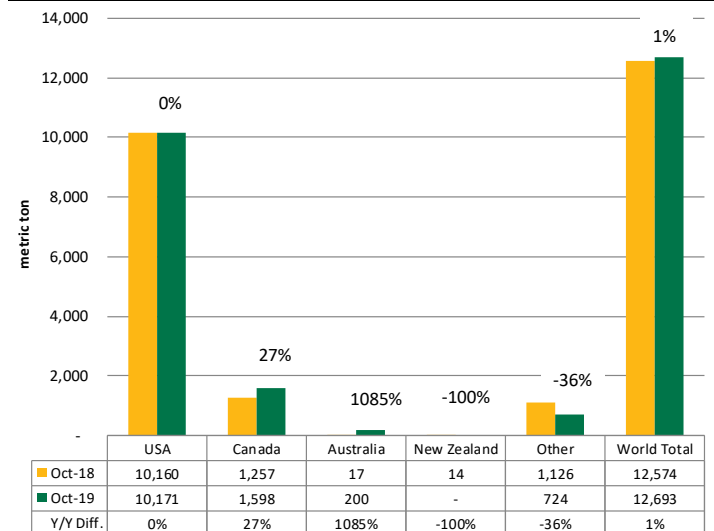
### Mexico Fresh/Frozen Beef Exports

Latest Data for October Units: Metric Tons



### Mexico Fresh/Frozen Beef Imports

Latest Data for October Units: Metric Tons



## South America Market Update

**Brazil:** Brazilian beef exports have exploded in the last two months on robust China demand and a weaker Brazilian real. November exports of fresh/frozen Brazilian beef were 155,582 MT, 19% higher than a year ago. November export volume was down from the 170,497 MT shipped in October but still the second highest export volume on record. Not only did China absorb all the increase in exports during the month, but it also took business away from other markets. Total beef shipments to China in November were 83,111 MT, 134% more than the same period a year ago. Exports to Hong Kong, previously a gateway market into Mainland China continue to track below year ago levels, with more product now going directly. Exports to Hong Kong were 16,606 MT, 30% lower than a year ago. In November, combined exports to Mainland China and Hong Kong accounted for 64% of all Brazilian beef export shipments, by far the largest export share on record. For the year, exports to China and HK have climbed to a 45% share.

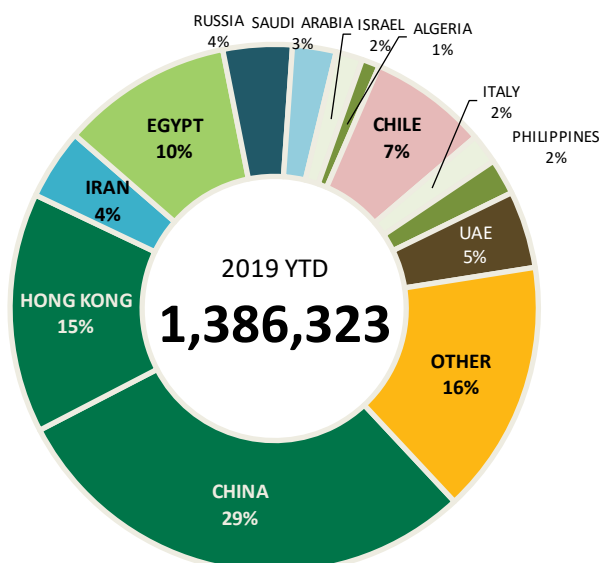
Higher exports to China this year have resulted in lower shipments to some markets, especially those in the Middle East. However, exports to some smaller markets continue to outperform last year. Exports to Russia have recovered modestly as restrictions on Brazilian beef were lifted. Exports to UAE so far this year are up by more than 40,000 MT or 158% than the same period a year ago. While China demand is expected to slow down once needs for the Chinese New Year are covered, Brazilian packers still remain bullish about the future of beef demand in China.

**Argentina:** The expected increase in beef export taxes was lower than people feared and there was no indication that government intends to impose limits on the amount of beef that can go to export. According to media reports, the government raised the beef export tax from 7% to 9%. Tax increases on some other key agricultural exports were higher. There are concerns that the heavy debt burden and rising inflation will encourage the new government to continue to raise taxes and/or impose product export quotas.

Argentine beef exports in November were 65,932 MT, 66% higher than the same period a year ago. Through October, total Argentine beef exports were 446,448 MT, some 152,085 MT or 52% higher than the previous year. China remains by far the main destination

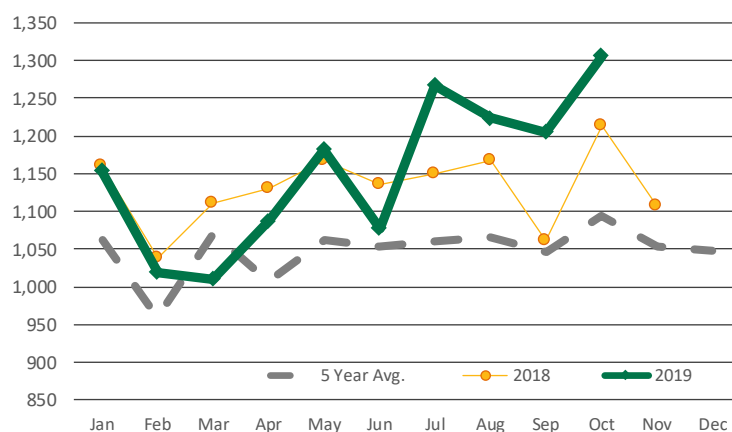
## Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Nov 2019



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

Source: SENASA



for Argentine beef, consistently taking market share from other buyers. In October exports to China were 49,580 MT, 84% higher than a year ago. For the year exports to China have more than doubled. So far this year the Chinese market accounts for over 73% of all Argentinian beef.

Cattle slaughter in Argentina in October was pegged at 1.291 million head, 6.7% higher than a year ago. Year to date cattle slaughter is up 2% compared to year ago levels.

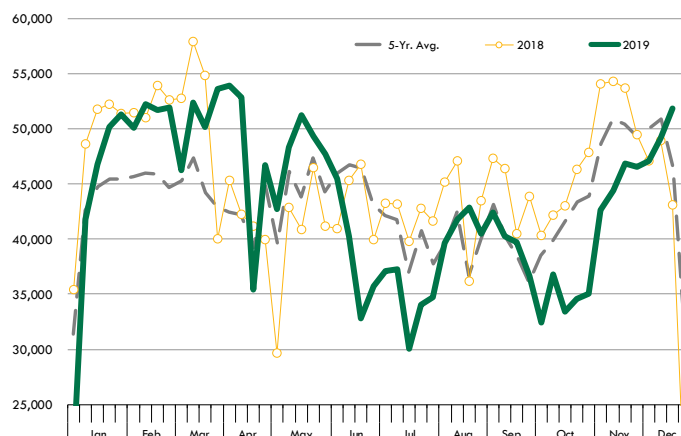
## South America (continued)

**Uruguay:** Uruguayan beef supplies have been tracking below year ago levels for the last six months, limiting overall export growth. Weekly slaughter in November averaged 45,134 MT/wk, 14.7% lower than the same four week period a year ago. Steer slaughter during this period averaged 19,879 MT/wk, 17.4% lower than last year and 18.7% lower than the five year average. Cow slaughter was down 41% from last year and 33% lower than the five year average. Robust demand in global markets and improved pasture conditions have resulted in higher asking prices and producers limiting the number of breeding animals going to market.

November beef exports were constrained by the lack of supply. Total shipments for the month were 26,327 MT, 21% lower than a year ago. China is the top market for Uruguayan beef and despite the supply shortfall, November exports were only 6% lower than a year ago. Through 11 months of the year Uruguayan beef exports to China were 212,616 MT, 42,506 MT or 25% higher than a year ago. Exports to all other markets were down. The biggest decline came in exports to Russia, which were down some 14,419 MT or 96%. Beef exports to the US market in November were 1,854 MT, 43% lower than a year ago. For the year exports to the US were 30,227 MT were 8% lower.

**Uruguay Cattle Slaughter, Total**

Weekly Slaughter in Head. Source: World Beef Report



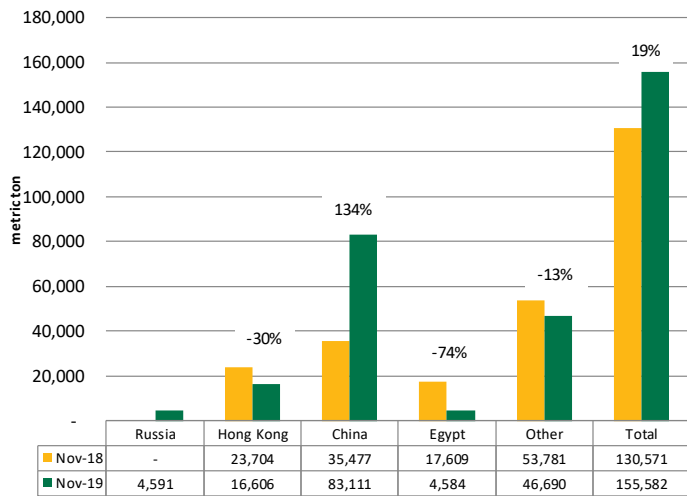


## South America Trade Statistics

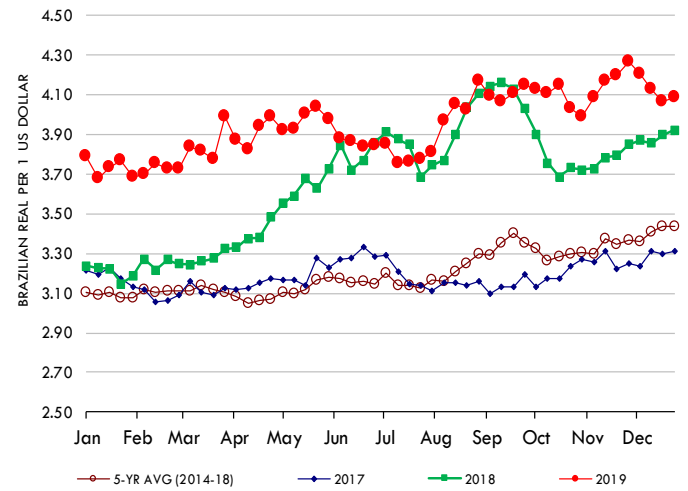
### Brazil Fresh/Frozen Beef Exports

Latest Data for November

Units: Metric Tons



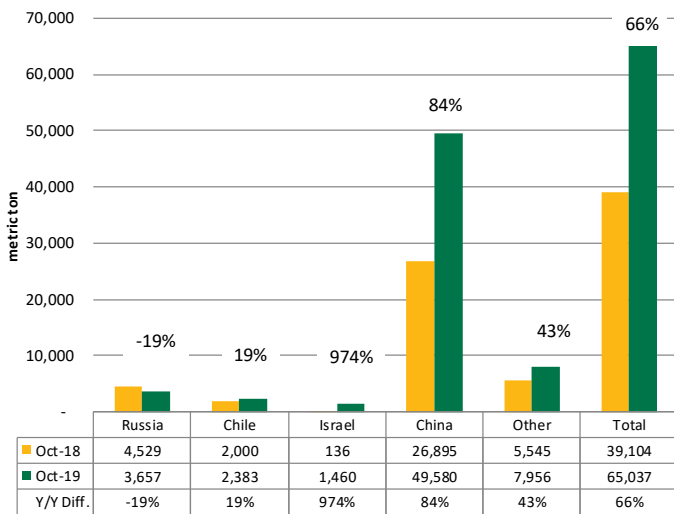
### Brazilian Real Per 1 US Dollar



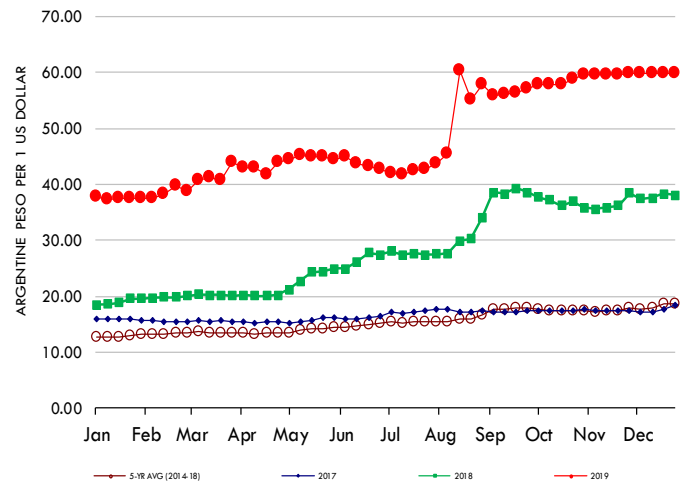
### Argentina Fresh/Frozen Beef Exports

Latest Data for October

Units: Metric Tons



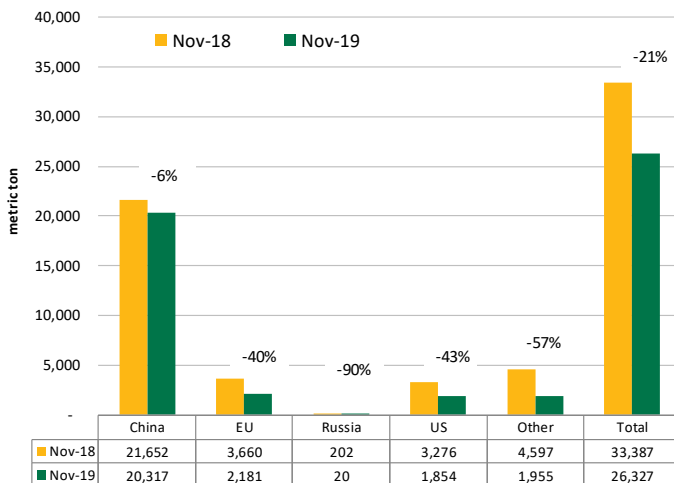
### Argentine Peso Per 1 US Dollar



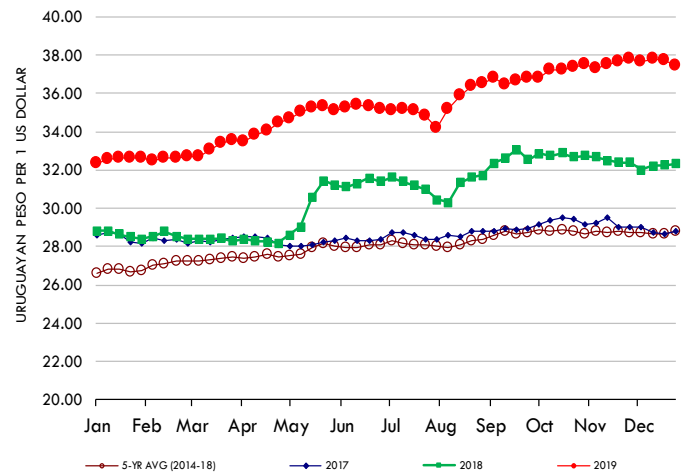
### Uruguayan Fresh/Frozen Beef Exports

Latest Data for November

Units: Metric Tons



### Uruguay Peso Per 1 US Dollar

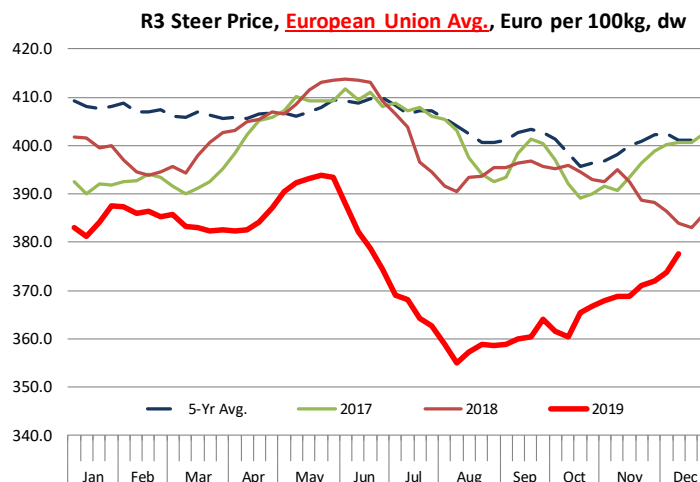


## Asia / EU Market Update

**European Union:** Cattle slaughter in Ireland has returned to more normal levels following protest disruptions in August and September. Overall slaughter remains under year ago levels, however, as market conditions and weak overall prices discourage producers from sending stock to market. Total cattle slaughter in the four weeks ending October 20 averaged 37,648 head/wk, 3.4% lower than a year ago but significantly higher than the 10,000 head per week we saw in mid September. But even as overall slaughter numbers are down, the slaughter mix varies greatly from a year ago. Producers have been liquidating some of the young stock, with young bull slaughter up about 8% from last year while heifer slaughter is running about 4% higher than last year. Cow slaughter on the other hand has been running about 13% under year ago levels in the last four weeks. Cow prices in Ireland have been particularly weak this year. In years past cull cow prices in Ireland commanded a premium over the average EU price, which includes a fair number of cows in Eastern Europe. Earlier this year cow prices in Ireland dipped under the average EU price. At this time the average Irish cow price is running at 274 euro per 100 kg, 7% lower than a year ago. The average EU cow price is currently pegged at 277 euro per 100 kg, 3% lower than last year.

Lower cow prices in Ireland, robust US beef prices, and a strong US dollar have incentivized more Irish beef shipments to the US market. November imports will likely show a significant increase given the sharp appreciation in US beef prices during the month. October imports were 232.8 MT, 42% higher than the previous year. For the year (Jan-Oct) imports from Canada were 2,782 MT, 156% higher than a year ago.

**China/Japan/S. Korea:** As the shortfall in pork supplies has come into start focus in the last three months, Chinese buyers have become much more active in the world beef market. China beef imports in November were 185,991 MT, 81,713 MT or 78% higher than the same period a year ago. The increase in Chinese beef imports far outpaced the increase in global beef production. As we noted in our discussion regarding New Zealand, Australian or Brazilian beef trade, often the increase in China beef purchases resulted in a net decline in imports of other countries. Higher prices were required in order to ration out global demand and the benchmark global lean beef prices reached the highest prices since 2014.



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

Source: China Customs

Import Partners	11/1/2018	11/1/2019	Y/Y MT	Y/Y %	Jan - Nov 2018	Jan - Nov 2019	Y/Y MT	Y/Y %
Brazil	35,265	57,922	22,657	64%	290,933	336,295	45,362	16%
Uruguay	21,646	24,987	3,340	15%	198,922	261,725	62,803	32%
Argentina	19,422	46,082	26,660	137%	155,678	329,817	174,139	112%
Australia	17,521	32,918	15,396	88%	159,477	282,341	122,865	77%
New Zealand	6,876	14,480	7,604	111%	100,761	193,773	93,012	92%
Canada	1,101	-	(1,101)	-100%	6,901	9,949	3,048	44%
South Africa	900	1,075	175	19%	5,424	3,680	(1,745)	-32%
Costa Rica	469	1,545	1,076	229%	4,538	10,153	5,616	124%
United States	460	893	432	94%	6,246	8,588	2,341	37%
Other	617	6,090	5,473	888%	5,874	31,644	25,770	439%
<b>Total</b>	<b>104,278</b>	<b>185,991</b>	<b>81,713</b>	<b>78%</b>	<b>934,753</b>	<b>1,467,965</b>	<b>533,212</b>	<b>57%</b>

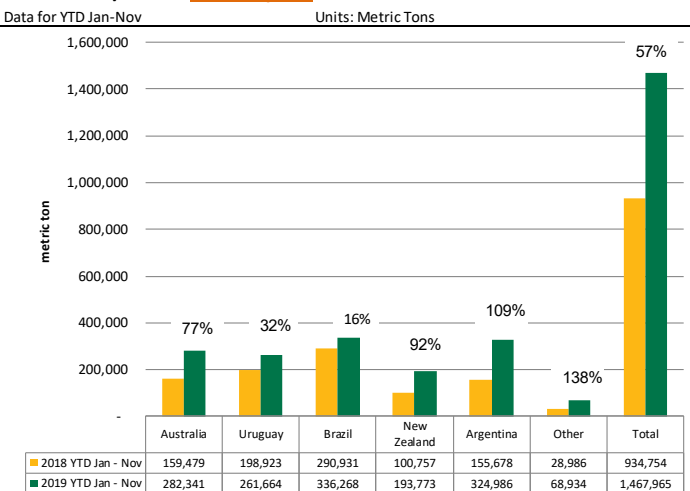
China beef imports were broad based but the bulk of the supply increase was due to three countries: Argentina, Brazil and Australia. The supply increase from these three countries accounted for almost 80% of the overall increase in China beef imports. Imports from the US market remain minimal at this time. November imports from the US were 893 MT, just 0.5% of total Chinese beef imports. Imports from Canada were also non-existent but that is expected to change now that Chinese officials have once again lifted the ban on Chinese beef and pork products.



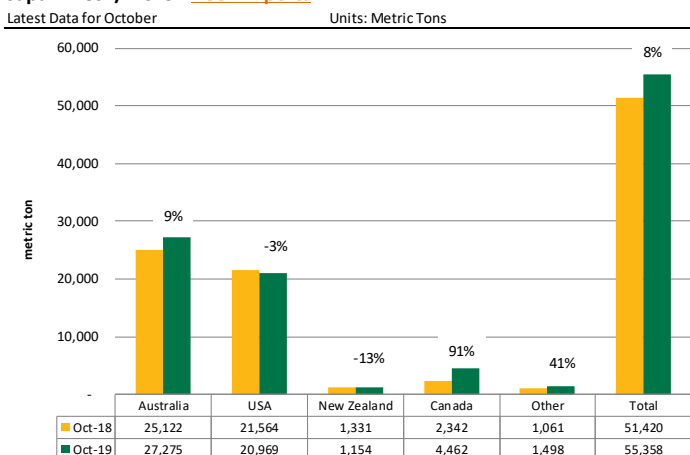
## Asia / EU Trade Statistics

Japan beef imports were higher in October but the overall volume is only marginally above year ago levels. Total imports in October were 55,358 MT, 8% higher than a year ago. Japan used to be one of the major beef importers of the world but its current import volume is only a small fraction of the volume that China is buying in the world market. Beef imports from the US market were 20,969 MT in October, 3% lower than a year ago. For the year Japanese beef imports from the US are down a total of 5,763 MT or 3%. However, beef imports from Canada for the period Jan-Oct were up 15,307 MT or 80%. As the US-Japan trade agreement goes into effect in January, we would expect some of the orders currently going to Canada to come to the US. However, Canada still has an exchange rate advantage vs. the US, which should continue to support strong demand for Canadian beef in this market. Japanese October beef imports from Australia were 27,275 MT, 2,153 MT or 9% higher than a year ago. For the year beef imports from Australia are still down 5% compared to last year.

### China Fresh/Frozen Beef Imports



### Japan Fresh/Frozen Beef Imports



## Oceania Update

**New Zealand:** New Zealand slaughter data is reported with a significant lag but the chart below offers some insight on the normal seasonal pattern through the holiday period. Weekly slaughter in November averaged 6% below year ago levels. Plants are generally closed during the year-end holidays and in early 2020 as they perform regular maintenance at a time when many workers are on holiday. Last year we noted a significant increase in slaughter during February and March, largely a function of weather conditions during the fall months.

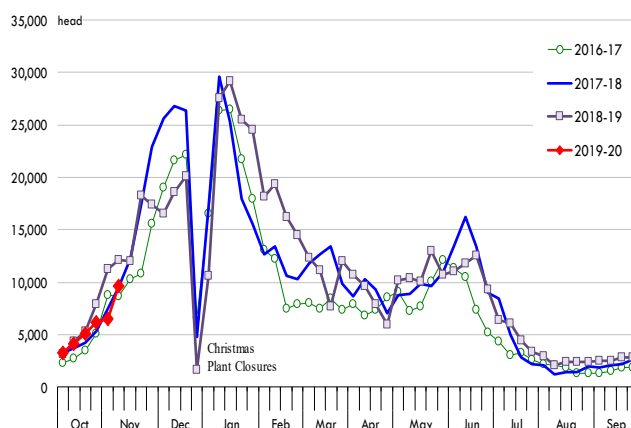
New Zealand beef exports in November were down 3% compared to the same period a year ago, in line with the decline in slaughter. Exports to the Chinese market in November were up 80% from a year ago while exports to the US declined by 57%. For the year, China's share of New Zealand exports is now up to 48% compared to a 28% share for the US.

**Australia:** Despite a significant decline in cattle inventories, slaughter continues to run well above year ago levels. Producers have been liquidating female cattle at a higher rate than normal. During times of liquidation Australian cattle prices tend to collapse, with the sharp break in 2014-15 the latest instance. So far cattle prices in Australia have performed fairly well thanks to strong demand in the world market. Official cattle slaughter in October was 10.6% higher than a year ago and cows/heifers made up over 50% of the slaughter mix. For all of 2019, female slaughter has accounted for 55.7% of the slaughter mix, a far higher ratio than in 2014 and 2015. During those two years, female slaughter ratio was 51.2% and 51.0%. Indeed, this is the biggest 10 month liquidation of the female cattle stock in over 40 years. Total Australian weekly cattle slaughter in mid-December was 164,588 head, 13.4% higher than the previous year.

In the short term the high rate of slaughter has bolstered beef supply availability and exports. November Australian exports of fresh/frozen beef were 103,782 MT, 8.7% higher than a year ago. And in the last three months slaughter has averaged 13% above year ago levels. Exports to China in November were 34,264 MT, making it by far the largest Australian beef export market. Exports to China rose 19,639 MT compared to an increase of 8,312 MT in overall shipments. As exports to China rose, Australian exports to almost all other markets were lower. Exports to the US were 13,716 MT, 14% lower

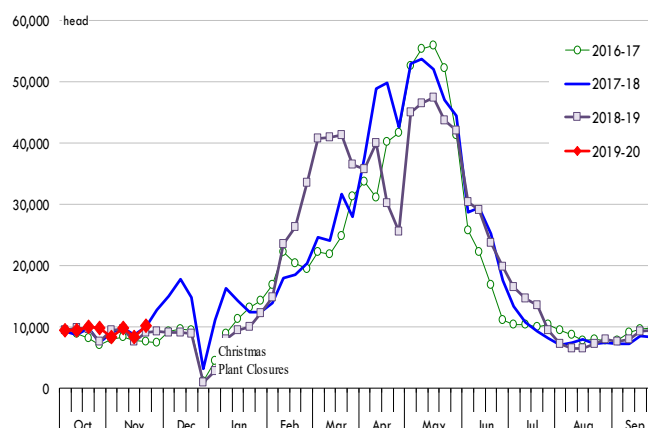
### New Zealand Weekly Bull Slaughter

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



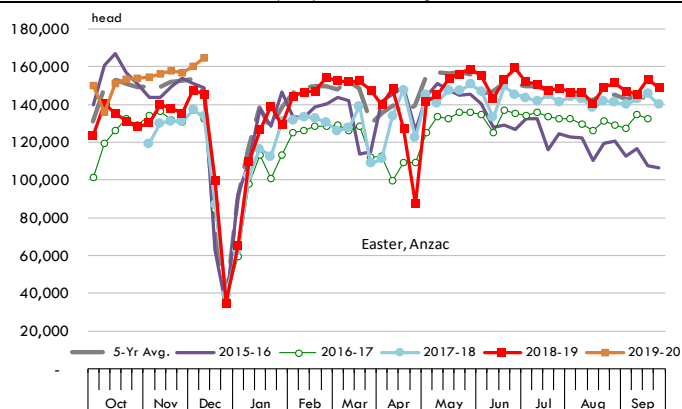
### New Zealand Weekly Cow Slaughter

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



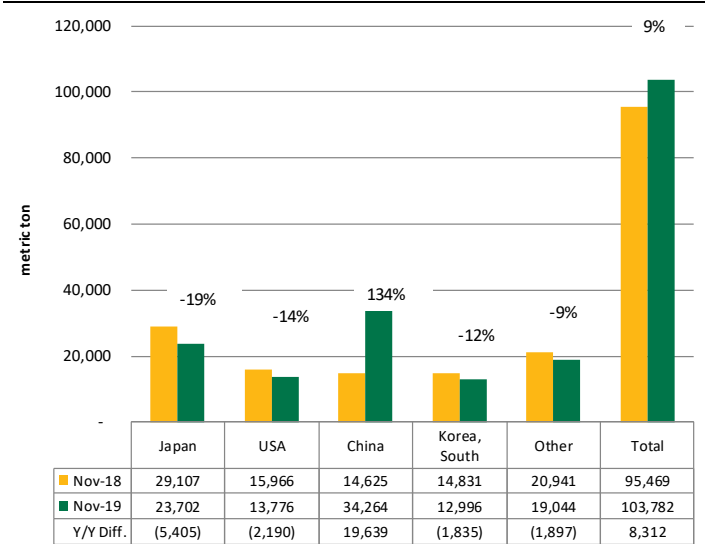
than a year ago. Exports to Japan at 23,702 MT were 19% lower and exports to S. Korea at 12,996 MT were 12% lower than last year. Our current projection is for exports

## Oceania Statistics

to the US in December to surpass 30,000 MT while exports to China are on track to be over 35,000 MT. For now, cattle liquidation has kept the market well supplied. A break in the drought could quickly change that.

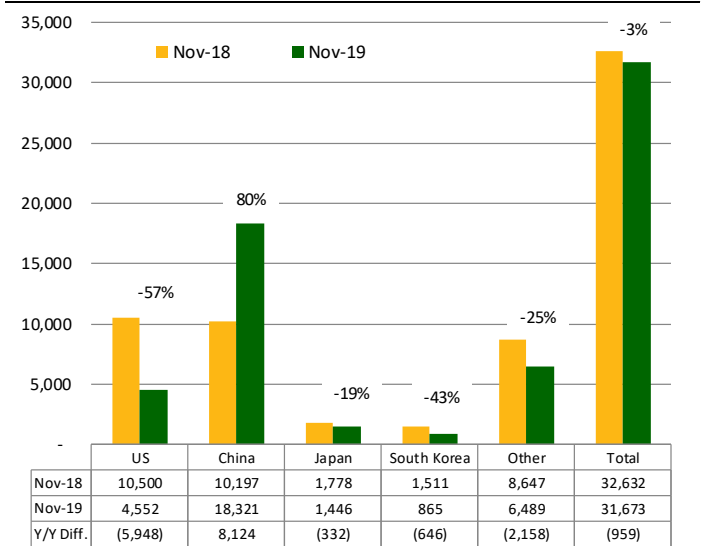
### Australia Fresh/Frozen Beef Exports

Latest Data for November Units: Metric Tons



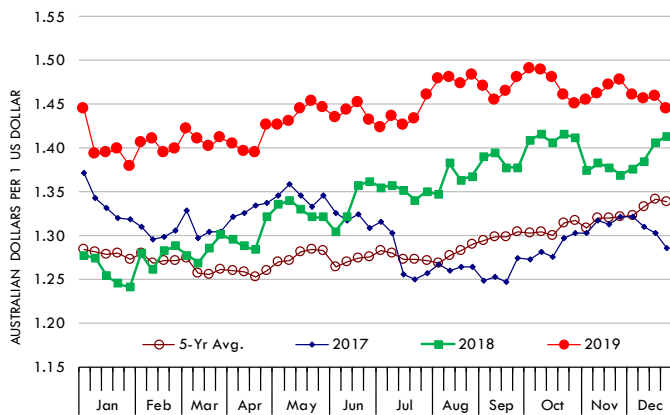
### New Zealand Fresh/Frozen Beef Exports

Latest Data for November Units: Metric Tons



### AUSTRALIAN DOLLAR PER 1 US DOLLAR

Y/Y Comparison of Weekly Exchange Rate



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

