

Global Beef Market Monthly Review

May 2021

May 28, 2021

Volume 3, Issue 5

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Highlights:

- The decision from the Argentine government to suspend exports for 30 days is significant but market participants are looking past the 30 day period. Should Argentina significantly restrict exports moving forward, it will have a notable impact on beef trade flows as China looks to replace some of the lost Argentine supply.
- Brazil beef exports remain robust but there is growing unease about its reliance on Chinese business. With Argentina looking to reduce exports overall, there is fear that Brazilian packers will rely on China for a larger share. Those packers that are not approved for export to China are finding it difficult to pass on the higher cattle prices to domestic consumers, resulting in low capacity utilization at their plants.
- US wholesale beef prices have increased sharply in the last few weeks due to seasonal demand pressures, broader inflation and the bull whip effect from the reopening of the economy post COVID.
- Feed costs are up across the world due to strong Chinese demand and smaller crop harvests in China as well as North and South America.
- Despite limited supplies in Australia, South Korea managed to increase imports from that country by 4%. Total South Korean beef imports through April were up 5% y/y.

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	4,845,807	51,756	1%	
Australia	19%	0%	Apr 2021	72,502	-19,974	-22%	1,039,410	909,484	-129,926	-13%
Argentina	2%	0%	Apr 2021	50,015	3,499	8%	617,584	679,343	61,758	10%
New Zealand	7%	0%	Apr 2021	42,926	-6	0%	472,804	477,532	4,728	1%
Brazil	18%	1%	Apr 2021	125,474	9,179	8%	1,725,214	1,802,849	77,635	4%
USA	11%		Mar 2021	95,250	10,429	12%	939,038	976,599	37,562	4%
IMPORTS						4,407,783	4,486,662	78,879	2%	
USA		20%	Mar 2021	87,990	-9,381	-10%	1,069,777	984,195	-85,582	-8%
China	0%	9%	Apr 2021	188,151	23,180	14%	2,117,895	2,287,327	169,432	8%
Hong Kong			Apr 2021	30,667	9,489	45%	363,847	365,666	1,819	0%
Japan	0%	9%	Apr 2021	55,331	-13,759	-20%	600,394	606,398	6,004	1%
Russia	0%	8%	Mar 2021	20,227	-5,655	-22%	255,870	243,077	-12,794	-5%

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

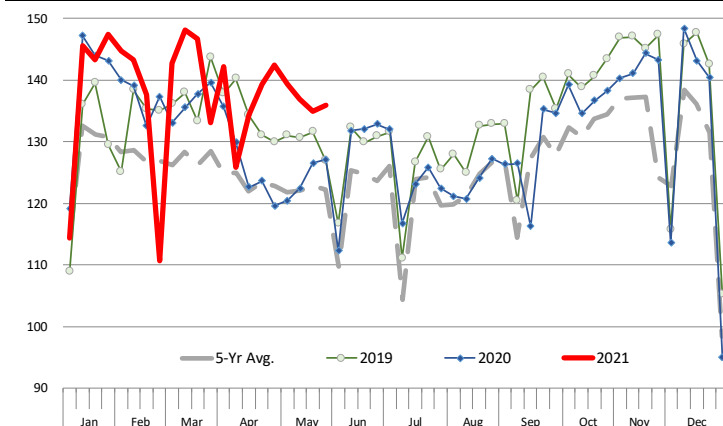
North America Market Update

United States: On May 1 the total inventory of cattle in US feedlots with +1000 head capacity was estimated at 11.725 million head, 525k head or 4.7% higher than the previous year. Feedlot supplies remain heavy relative to available processing capacity, which has caused fed cattle prices to trade sideways even as wholesale beef prices climb near the record levels we saw a year ago. While feedlots have become more current in the last three months, total supply remains large from a historical perspective. This is reflected in average fed cattle weights. **For the week ending May 8, average fed cattle weights were 5.2% higher than the same week in 2019.** Per our calculations, the inventory of cattle that on May 1 had been on feed for 150 days or more was 2.638 million head, about the same as two months ago. The inventory of long fed cattle is 384k head or 12.7% lower than a year ago but only 2.3% lower than in 2019. That year, fed cattle values were soft through late spring and only started to improve in the later part of the year. **Current labor challenges have further amplified the pressures that the market was feeling even before the pandemic.** The May inventory of cattle with 120 days or longer on feed was estimated at 4.422 million head, 361k head or 7.5% lower than last year but still about 40k head higher than on May 1, 2019.

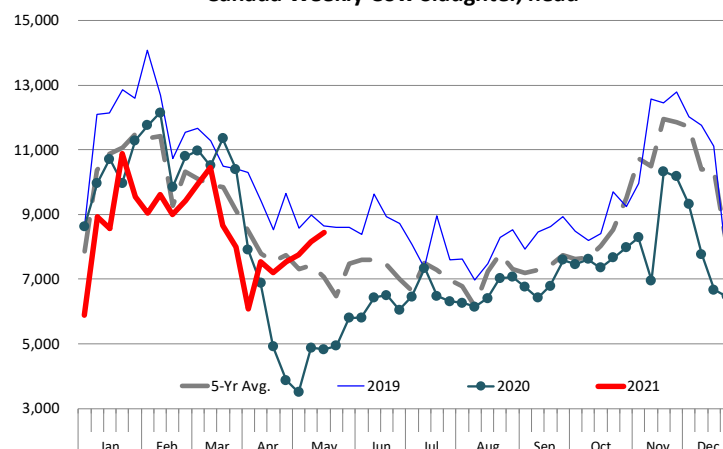
Feedlots placed 1.821 million head of cattle on feed during April, 389,000 head or 27.2% more than COVID impacted placements a year ago but about 21k head less than placements in April 2019. Prior to the report analysts on average expected placements to be 21.3% higher than a year. The higher than expected placements were the key factor bolstering the supply of cattle on feed on May 1 (vs. estimates). Placements were also 102k head higher than the 2015-19 average placements for the month of April and on the higher end of the range for the last 25 years (see chart). Dry conditions in some parts of the country may have forced producers to push cattle into feedlots earlier than they would have wanted. Comparisons to last year are skewed by the pandemic and we think comparisons to 2019 are more appropriate. In April, feedlots placed 380k head of feeder cattle under 600 lb., 25k head or 7% more than in April 2019. Placements of feeders between 600 and 699 lb, were about the same as in 2019 while placements of cattle between 700-799 pounds were 27k head or 6% lower than in 2019. Increasing drought pressures may see more light calves enter feedlots this summer. This

WEEKLY COW & BULL SLAUGHTER, '000 HEAD

Source: USDA-AMS. Analysis by Steiner Consulting



Canada Weekly Cow Slaughter, head



could help keep cattle prices in check for later this year and Q1 of 2022 but it also means potentially lower placements this fall and higher cattle prices in the spring and early summer of 2022. As noted earlier, however, processing capacity and labor remain major challenges. In the near term they have caused cattle markets to become disjointed from the beef market.

Marketings: USDA reported marketings for April were 1.938 million head, 32.8% higher than the previous year. With fed cattle slaughter already known, analysts had an easy job figuring out this number and the survey results were pretty close to pre-report estimates. Marketings in April were about 10k head higher than in April 2019. While fed cattle slaughter during the normal weekday was lower than in 2019, packers were able to make up the shortfall by running more shifts on Saturday.

North America (continued)

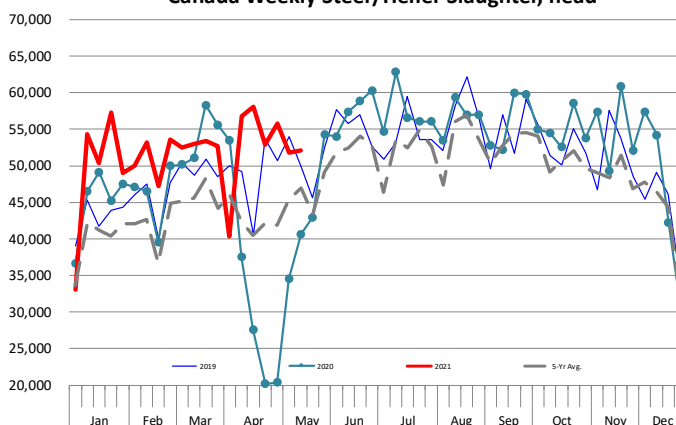
Canada: Cow slaughter reversed course in the last few weeks and has been trending higher. We suspect that this is due to mounting drought pressures in Western Canada. Parts of Saskatchewan are currently in extreme drought, likely forcing some producers to liquidate. High prices have also encouraged producers to sell. Canfax reports that butcher cow prices have gained \$7/cwt in the last few weeks and prices are currently at the highest point in four years. As producers look to turn calves into summer pastures, there is some expectation that we could see a few more cull cows become available.

The supply of cattle on feed in Alberta and Saskatchewan feedlots as of May 1 was estimated at 988,761 head, 5% lower than a year ago but still 3% higher than the five year average. Feedlots placed 123,098 head of cattle on feed during April, 9% more than last year and 2% more than the five year average. Fed cattle marketings in April were 140,604 head, 82% higher than the COVID affected slaughter last year but also 25% higher than the five year average. More Canadian cattle are staying in Canada rather than move to the US for processing, which has helped bolster domestic slaughter. Fed cattle slaughter in the four weeks ending May 15 averaged 53,164 head/week, 9k head/week or 20.5% higher than a year ago.

Mexico: Mexican beef production in April was estimated at 168k MT pounds, 2.5% higher than the previous year and 7.4% higher than the five-year average. Beef production through the first four months of the year was 672k MT, 2.1% higher than last year. While production continues to expand, the pace of growth has slowed down this year. For all of 2021 USDA is forecasting Mexican beef production to be up 1.9% compared to the previous year and, so far, production data is on track to hit that target. Seasonally beef production in Mexico tends to accelerate in the second half of the year. We think beef production in Mexico in the second half of the year will average around 184k MT/month, with production December expected to be around 193k MT.

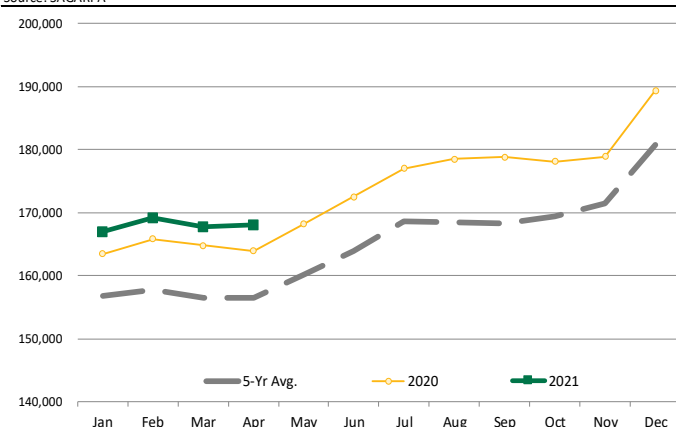
Beef production in Mexico is expected to slow down in the next 12-24 months due to the expected slowdown in beef cow herd expansion. The latest data from USDA pegs the beef cow herd on January 1, 2021 at 7.950 million head, just 50k head higher than the previous year. In 2020, the beef cow herd was 200k head higher than in

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

Source: SAGARPA



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.

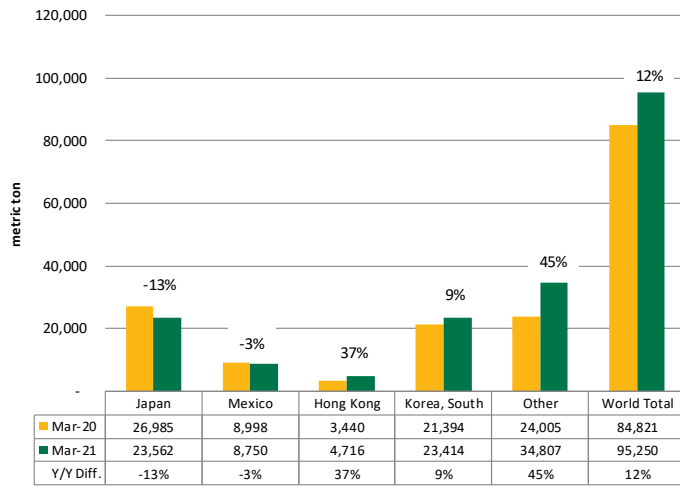
Mexican March beef exports were 25,691 MT, up 7% vs. a year ago. Exports to the US were 22,117 MT, up 7% from last year and accounting for 86% of total exports. Mexican beef exports to Japan, the second largest market, were 1,811 MT, up 9%.

US imports from Central American countries are also showing signs of improvement as escalating prices are encouraging producers to ramp up slaughter and divert product away from domestic markets and other markets. In the four weeks ending May 15, USDA reports that beef imports from Nicaragua were 4,856 MT, 36% higher than the four-week period a year ago. Imports from Costa Rica were 705 MT, up 17% from last year while imports from Honduras were nonexistent.

North America Trade Statistics

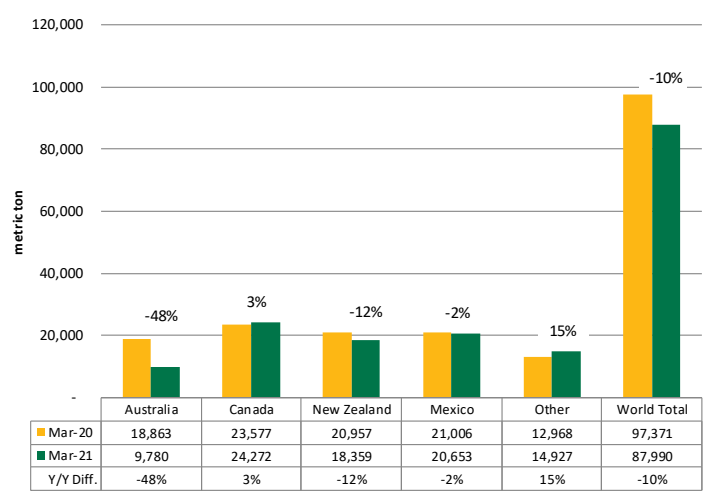
USA Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons



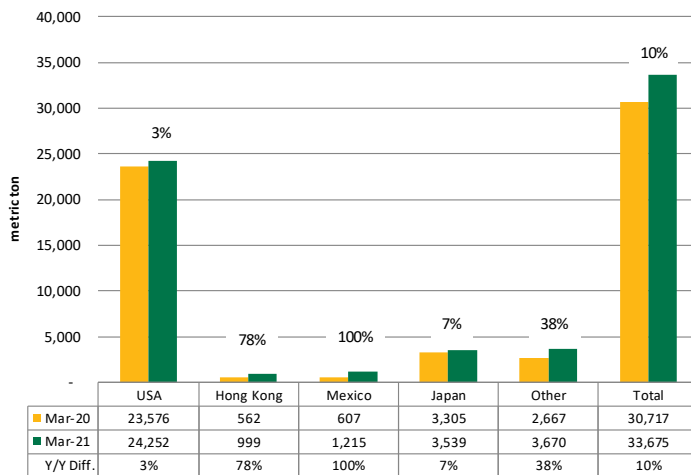
USA Fresh/Frozen Beef Imports

Latest Data for March Units: Metric Tons



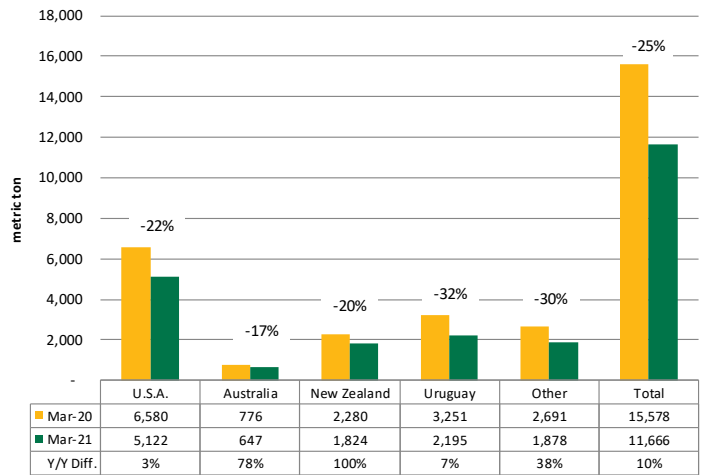
Canada Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons



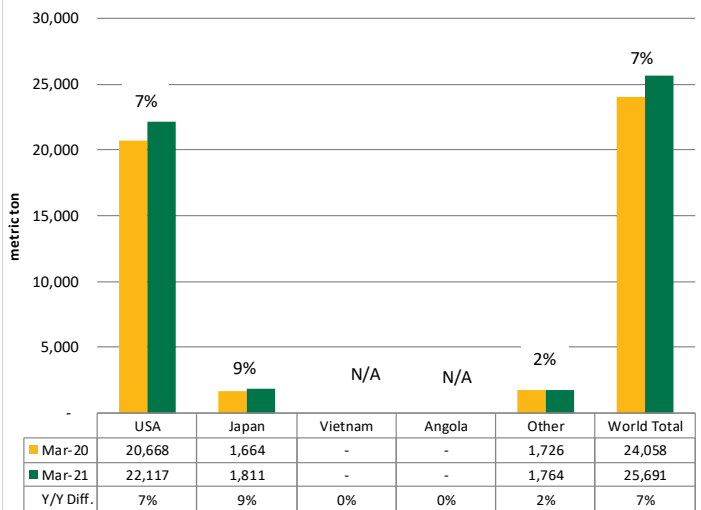
Canada Fresh/Frozen Beef Imports

Latest Data for March Units: Metric Tons



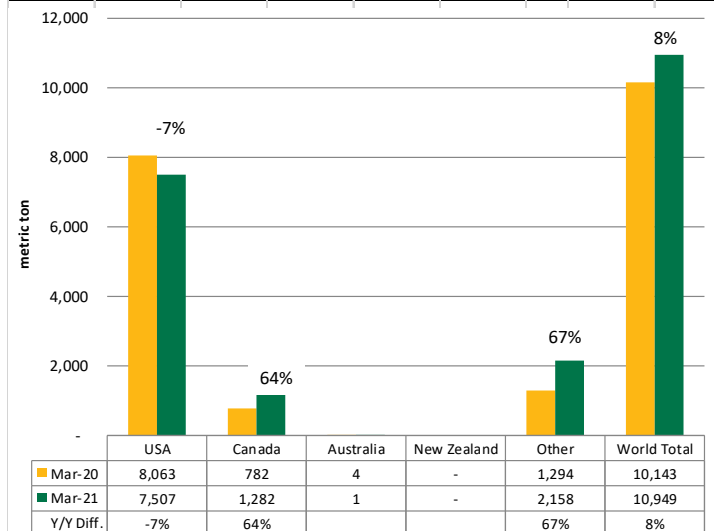
Mexico Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons



Mexico Fresh/Frozen Beef Imports

Latest Data for March Units: Metric Tons



South America Market Update

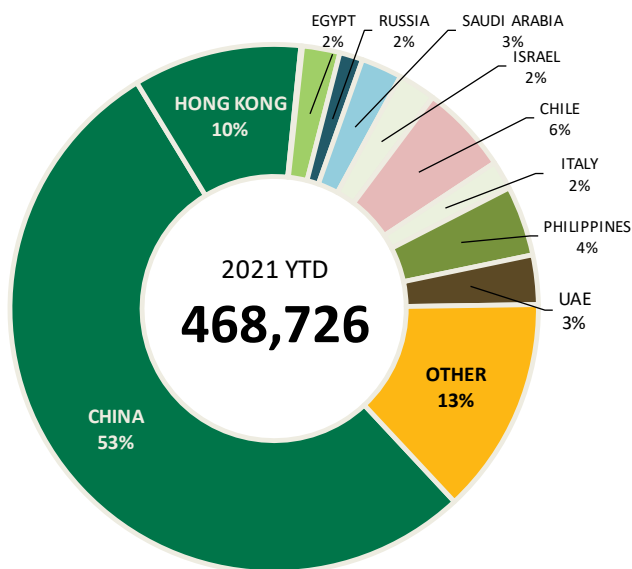
Brazil: Brazilian cattle slaughter was modestly higher in April after posting double digit declines in Q1. Still, slaughter remains well below the levels we saw during 2019. Domestic price inflation has created significant demand issues in local markets, and reports note that plants that don't have export access have had to significantly cut back. Market participants also note that Brazil overkilled last year and the year before as it sought to aggressively grab market share in China. Cattle supplies are tight, resulting in significant cattle price inflation. Cattle prices in Brazil for the last week of May were up 53% from a year ago in Brazilian currency terms but also 54% in US dollar terms.

Exports of fresh/frozen beef in April were 125,474 MT, 9,179 MT or 8% higher than a year ago. While China has been the main factor driving export demand in recent months, that was not the case in April. Shipments to China in April were steady at 62,455 MT, 3% higher than the previous year. In the first four months of the year exports to China have been 249,609 MT, 23% higher than last year. Exports to Russia remain limited, with just 2,573 MT shipped in April, 42% lower than last year. Exports to Egypt, a key market in the past, were 1,933 MT, down 5,515 MT or 74% from last year. Exports to smaller markets registered the biggest increase, with 44,782 MT shipped in April, up 14,072 MT or 46% from last year. Part of this is due to higher exports to the US, pegged at 3,698 MT in April vs. just 131 MT last year. Exports to the Philippines were 5,774 MT, up 4,430 MT from last year while exports to UAE were up another 1,856 MT.

Argentina: There were a lot of rumors about new export controls in April when the Argentine government set up a new beef export registry. At the time, the government said that the new system was necessary in order to prevent "possible imbalances in the domestic market in terms of supply, price and quality." It was not a total surprise, therefore, when the Argentine government announced a week ago that it would suspend all beef exports for 30 days in an effort to contain escalating beef price inflation. Food and beverage inflation in Argentina in April was 46.4%, not far from 43.9% last October. Upcoming elections clearly have brought the inflation pic-

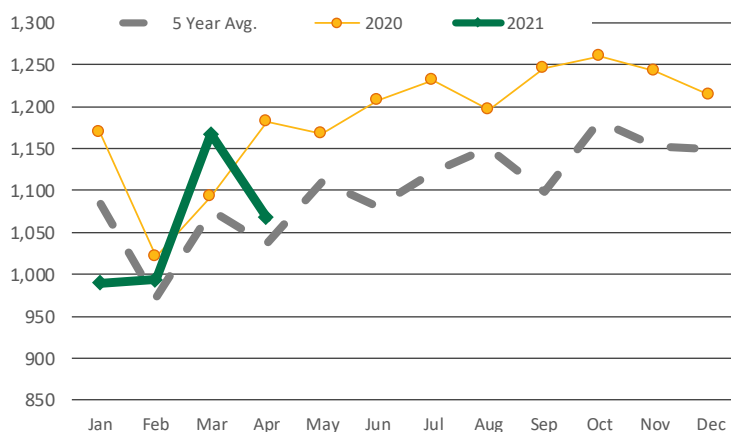
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Apr 2021



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



ture to the forefront. The bigger concern for producers is a return to export controls that were the norm during previous leftist governments. The recent ban will have a very significant impact on China. In the first four months of the year, Argentine exports of fresh/frozen beef to China were 150,472 MT, 31k MT or 26% higher than the previous year. Exports to China represented about 76% of total exports. It will be impossible for Chinese buyers to replace lost Argentine supply in the near term and much will depend on the new system Argentine officials put in place. Beef supplies in Argentina were down in April, with slaughter 8.6% lower than the previous month and

South America (continued)

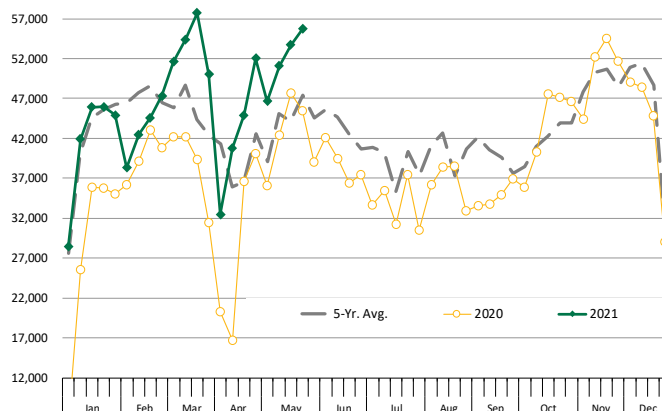
9.7% lower than a year ago.

Uruguay: Strong global beef demand and dry weather conditions have contributed to a sharp increase in cattle slaughter in the last two months. Total cattle slaughter in the four weeks ending May 22 averaged 51,801 head/week, 20.7% higher than a year ago and 19% higher than the five year average. Steer slaughter during this period averaged 26,011 head/week, up 32.5% from last year and 26.4% higher than the five year average. Cow slaughter has not increased as much, averaging 19,169 MT, 2% lower than the five year average.

The increase in slaughter has helped bolster exports. April shipments of fresh/frozen beef were 28,879 MT, 9,563 MT or 50% higher than a year ago. Exports to China in April were 18,785 MT, 30% higher than a year ago. The increase in exports to China accounted for less than half of the overall increase in exports. Shipments to other markets have been especially strong as well. Exports to the US in April were 3,610 MT, 42% higher than the previous year. However, in the first four months of the year shipments to the US were 12,184 MT, only 3% higher than last year. Exports to the EU market in April were 1,984 MT, an almost 200% increase from the extremely low levels a year ago. Exports to the EU in the first four months of the year were up 9% from a year ago.

Uruguay Cattle Slaughter, Total

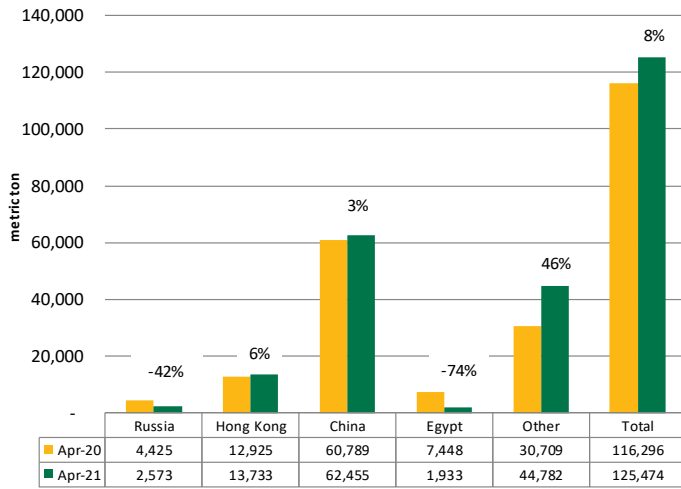
Weekly Slaughter in Head. Source: World Beef Report



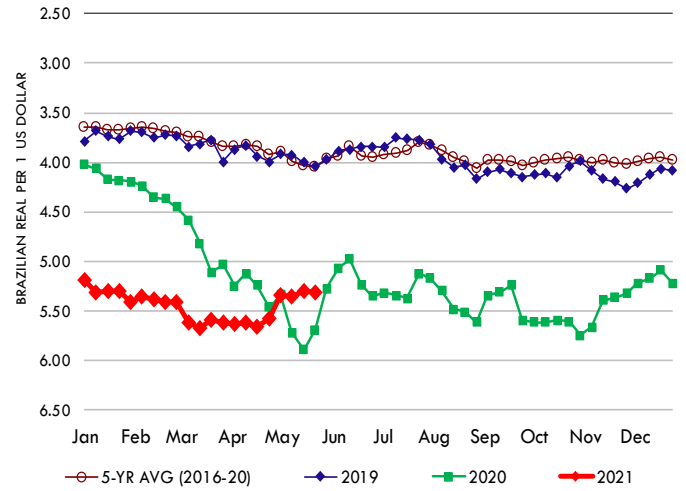
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons

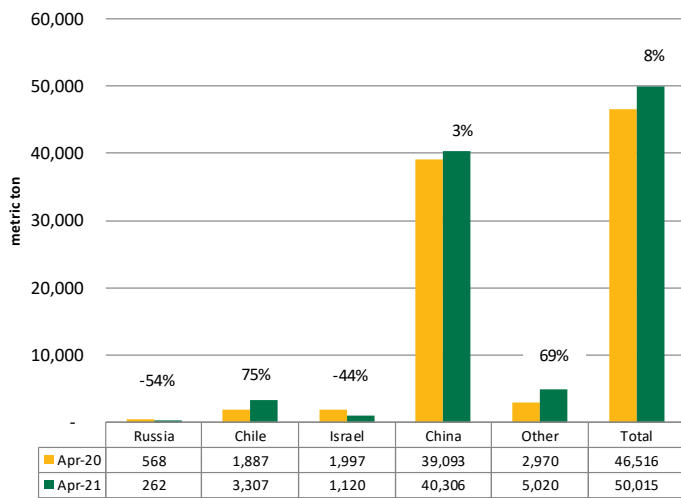


Brazilian Real Per 1 US Dollar

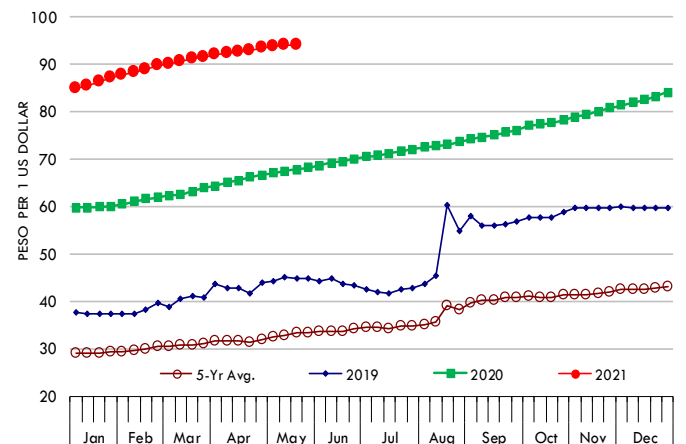


Argentina Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons

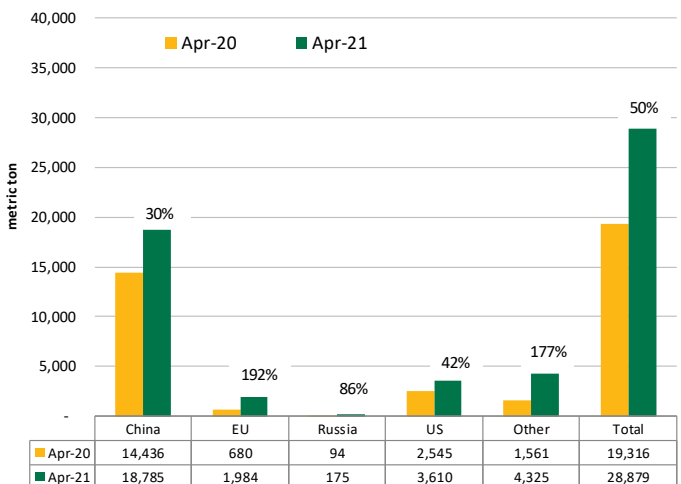


Argentine Peso Per 1 US Dollar

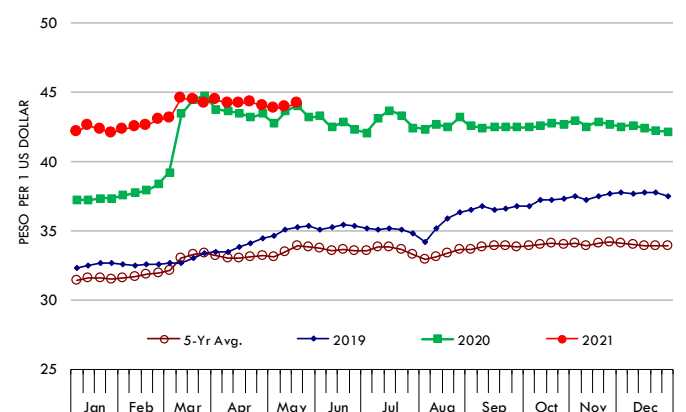


Uruguayan Fresh/Frozen Beef Exports

Latest Data is for Apr 2021 Units: Metric Tons



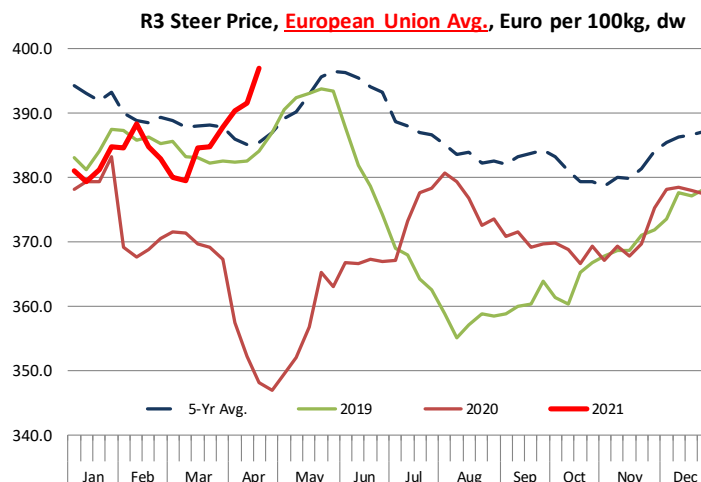
Uruguay Peso Per 1 US Dollar



Asia / EU Market Update

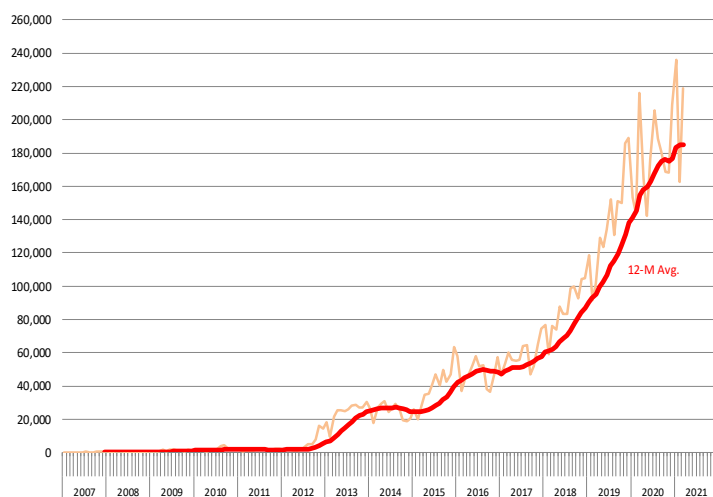
European Union: Irish cattle slaughter is largely following the seasonal trend for this time of year, with improving pasture conditions limiting the number of cull animals available for slaughter. Total cattle slaughter in the four weeks ending May 23 averaged 29,543 head, 10% higher than the COVID impacted slaughter a year ago but below slaughter levels in 2018 and 2019. Slaughter has been limited for much of this year, reducing overall beef availability. This is due in part to challenges in export markets, especially trade with GB, the top market for Irish beef. Cattle slaughter since the start of the year has been a total of 648,565 head, down 46.3k head or 6.7% from the same period a year ago and 84.3k head or 11.5% lower than the same period in 2019. Seasonality trends are different for cull cows in Ireland, with slaughter increasing in May, June, and July, possibly following the spring milk flush. Cow slaughter in the four weeks ending May 23 averaged 7,160 head/week, 32% higher than the same period in 2020 and 2.7% higher than in 2019. Weekly cow slaughter in 2019 peaked at a little over 9,000 head in mid-May. Last year the peak in cow slaughter happened in mid to late June due to COVID slaughter disruptions in April, resulting in a backlog of cull cows. We expect cow slaughter to peak in early June this year and then hover around 7800-8000 head/week through early July. Cow slaughter should then be at or under 7,000 head per week in July and August. The recent increase in Irish beef that is being offered in the market in part reflects cow slaughter seasonality. Product may not be as available later in the summer. Cow meat supply availability should improve by Q4 of the calendar year.

March exports of fresh/frozen Irish beef were 30,671 MT, down 5,078 MT or 14.2% compared to a year ago. Exports improved compared to February but that could be due to the difference in slaughter days. The decline in beef exports to Great Britain accounts for much of the reduction in Irish beef exports. March shipments to Great Britain were 10,322 MT, down 5,517 MT or 35% from a year ago. Exports to core EU markets were higher, with shipments to France at 2,856 MT (+12%) and shipments to Germany at 1,804 MT (+38%). China does not figure as a major destination for Irish beef, with most plants not eligible to ship. Export shipments to China in March were just 50MT compared to 801 MT a year ago. Exports to the US remain stable but well below some of the monthly export numbers we saw last year. March



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

Data Source: China Customs Administration. Analysis by Steiner Consulting



shipments to the US were 430 MT vs. 529 MT in February and 371 MT a year ago.

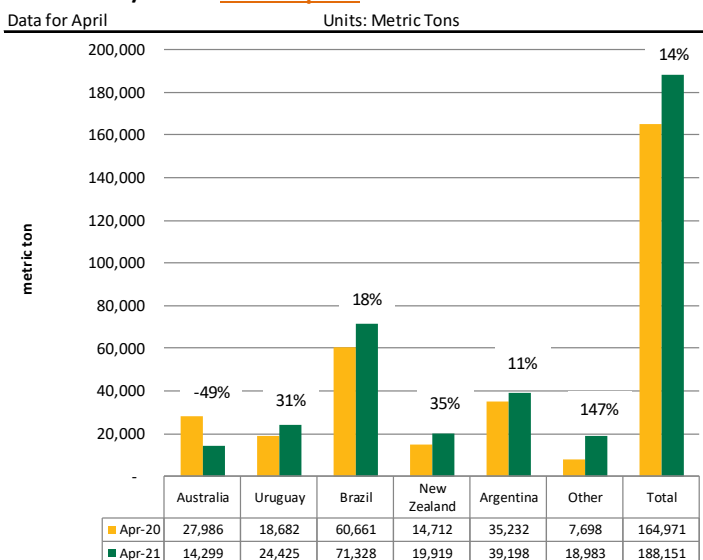
China/Japan/S. Korea: It is quite impressive that Chinese buyers have managed to increase exports by double digits this year despite the current high level of shipments and their overall share of exportable global supplies. Chinese imports of fresh/frozen beef in April were 188,151 MT, 23,180 MT or 14% higher than a year ago. In the first four months of this year China imported 805,092 MT of beef, almost 20% more than the same period a year ago. But the pace of imports is likely to slow down, in part due to the effect of higher beef prices around the world but also because of the expected changes in Argentinean beef export regime. China imported 39,198 MT of beef from Argentina in April, 11% more than the previous year and

Asia / EU Trade Statistics

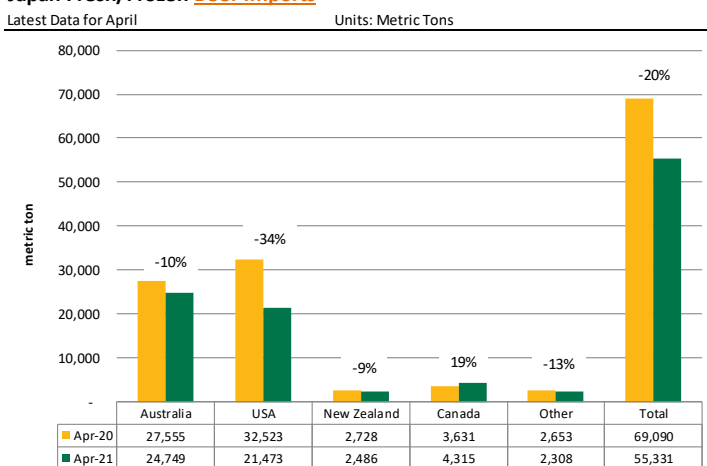
the second biggest imported beef supplier in the Chinese market. Brazil took the number 1 spot last year and it has continued to expand its market share. Imports from Brazil in April were 71,328 MT, 10,667 MT or 18% more than a year ago. Through the first four months of this year, China has imported 241,516 MT from Brazil, about 60,000 MT or 33% more than last year. The increase in imports from Brazil has accounted for about 60% of the overall increase in Chinese beef imports. The United States has also become a major supplier to China in recent months and we expect this trend till continue going forward. In the first four months of the year China imported almost 20,000 MT of beef from the US, 17,000 MT more than the same four month period last year. If Argentinian officials decide to curtail beef exports, we think China will rely on the US for an even larger share and we could see US exports to China be as high as 125,000 MT this year. On the other hand, Chinese imports of Australian beef in April were just 14,299 MT, down 49% from a year ago. Imports from Australia are expected to remain limited as China looks to use trade as leverage in its dealings with Australia.

South Korean beef imports are currently forecast to increase by 3.5% this year and so far imports remain on trend. April imports were 36,896 MT, 2% higher than a year ago but in the first four months of the year S. Korea had imported 166,699 MT of beef, 5% more than a year ago. The US remains the top supplier as S. Korean importers brought in 88,045 MT through April. This was 1% higher than the previous year. Despite lower supplies in Australia, South Korean buyers were able to outbid others and imports through April were 4% higher than the previous year. South Korea has also started to rely on Canada for a larger share. Through April, imports of Canadian beef were 3,755 MT, 89% higher than the previous year.

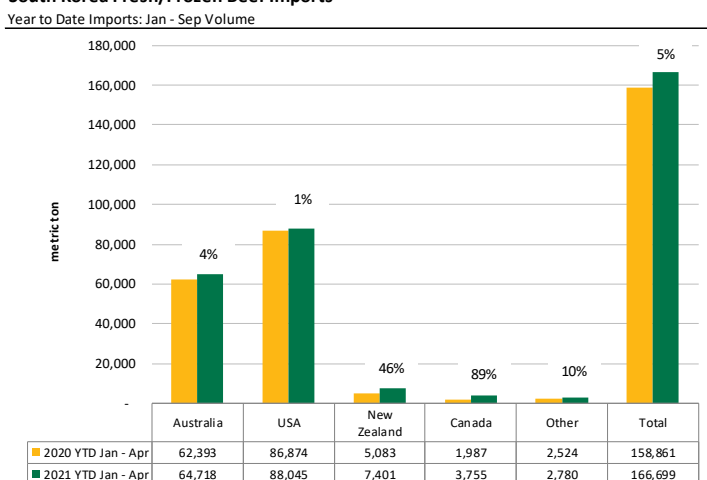
China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



South Korea Fresh/Frozen Beef Imports



Oceania Update

New Zealand: New Zealand slaughter should be approaching annual highs at this point. The latest data available is for week ending May 1, showing slaughter was 61,626 head, about 6% lower than last year but the reduction was due to the holiday. The previous two weeks, slaughter was running around 76,600 head/week, some 30% higher than the previous year.

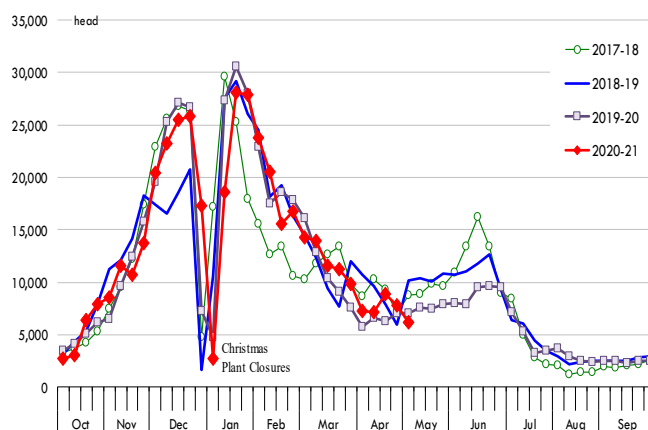
New Zealand slaughter in April was roughly 17% higher than the previous year but this did not have much of an impact on exports. This is likely due to the distortions created by COVID last year. April shipments of fresh/frozen beef were 42,926 MT, about the same as last year. Exports to the US in April were 15,949 MT, 9% higher than a year ago while exports to China at 16,052 MT were 5% lower. High beef prices in the US appear to have shifted some product away from the Chinese market, pushing US market share to 37%.

Australia: Australian cattle slaughter has shown some improvement recently following the sharp decline earlier in the year and then holiday shortened weeks in April. Cattle slaughter for the week ending May 21 was 110,223 head, 12% lower than a year ago but the highest weekly slaughter since mid December of last year. In the four weeks ending May 21, slaughter has averaged about 21% under last year, limiting the supply of beef available for domestic consumption and export. Monthly slaughter data is reported with a significant lag at this point but it is still instructive in recognizing broader trends. ABS statistics for Q1 show significant heifer retention in Queensland and New South Wales. The ratio of cow/heifer slaughter vs. total slaughter during Q1 was 45.5%, well below the 48% maintenance level. For Queensland, the ration dropped to 38.5% following 40.4% the previous quarter and 45.5% for Q3 of last year. In New South Wales the ratio dropped to 41.2%. Victoria was the only state that continued to see a very high rate of female liquidation, estimated at 60.7% of slaughter in this latest update. Herd rebuilding will continue to limit slaughter in the near term but it helps set the stage for some supply growth down the road.

Australian beef exports in April were 72,502 MT, 21.6% lower than the previous year. We think slaughter for May will be around 77,000 MT, down 22% from last year. Fresh/frozen beef exports to the US in April were

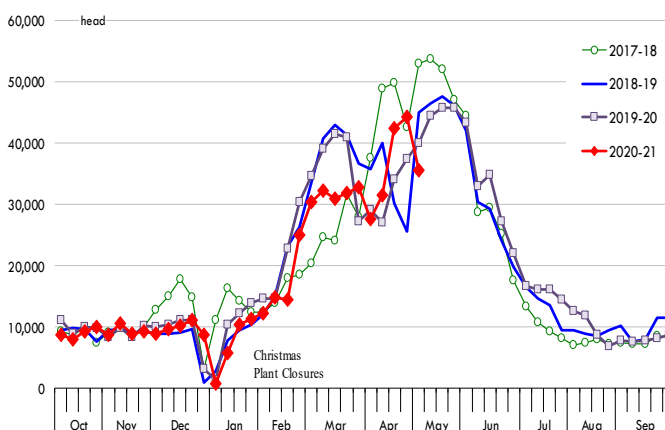
New Zealand Weekly Bull Slaughter

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



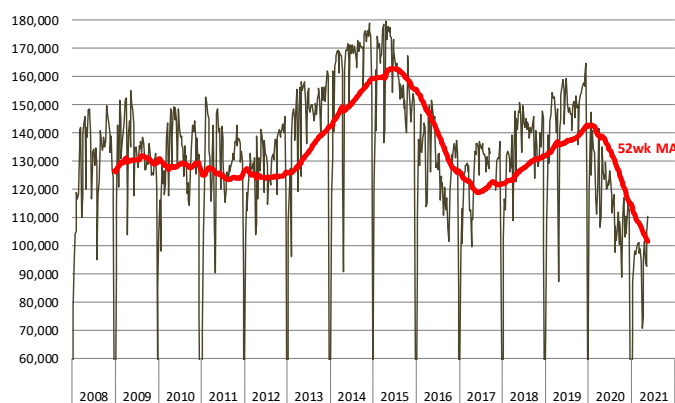
New Zealand Weekly Cow Slaughter

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



12,680 MT, 26.2% lower than last year. Exports to the US have picked up in recent days but exports for May are still expected to be around 11,700 MT, down about 43% from

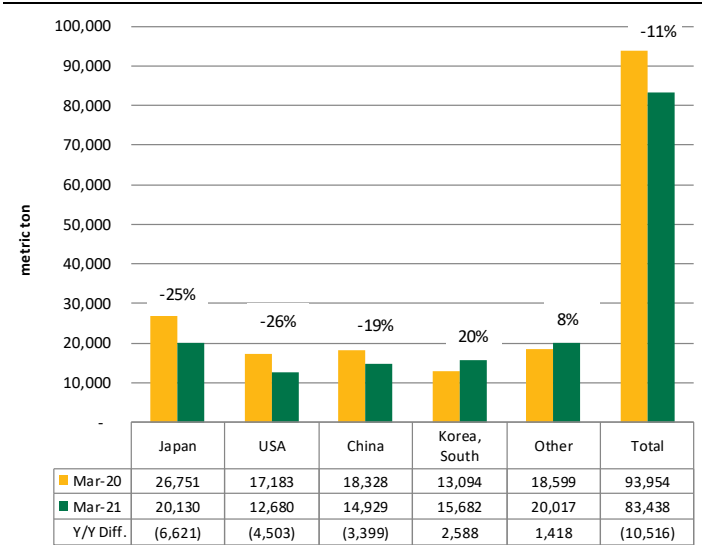
Oceania Statistics

the previous year. Exports to South Korea were huge at 15,682 MT in April, up 19.8% from the previous year and far exceeding the level of shipments to the US. We think May shipments to South Korea will be around 13,900 MT, 9.4% higher than a year ago. Exports to Japan in April were 20,130 MT, 25% higher than last year. We expect May shipments to be 21,400 MT.

Australia Fresh/Frozen Beef Exports

Latest Data for March

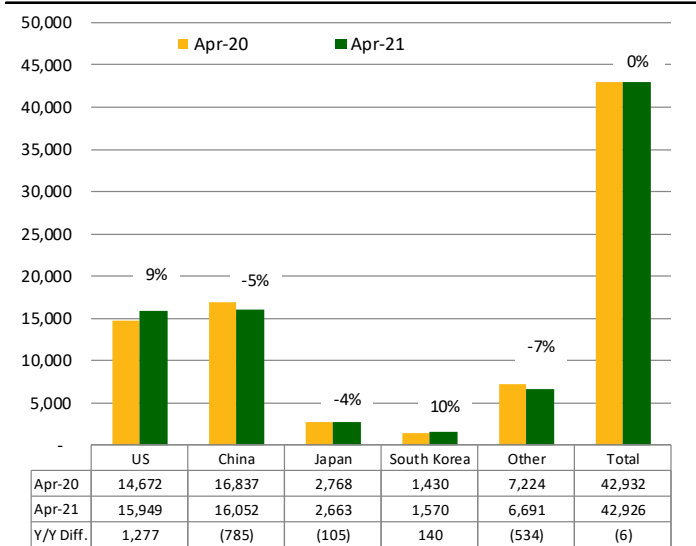
Units: Metric Tons



New Zealand Fresh/Frozen Beef Exports in March

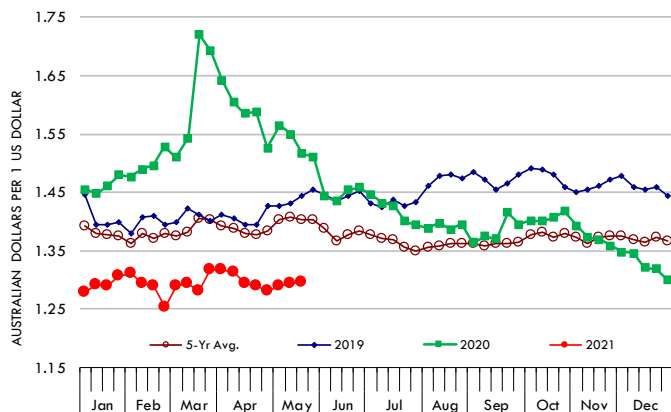
Source: Statistics NZ

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

