

Global Beef Market Monthly Review

May 2019

May 29, 2019

Volume 1, Issue 5

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Inside this issue:

Highlights	1
North America	2-4
South America	5-7
Asia / EU	8-9
Oceania	10-11

Highlights:

- China imports surpassed all expectations in April, with overall imports up 75% compared to a year ago. Imports from Australia increased by almost 15,000 MT vs. year ago for the month, the biggest gain of all other importing countries. YTD China imports are up by 155,000 MT or 54% vs. year ago.
- New Zealand slaughter was off to a slow start early in the marketing year but a high slaughter rate in February and March has allowed packers to get caught up and for the year slaughter is now 2% above year ago levels.
- US feedlots placed fewer than expected cattle on feed in April. Cold and wet weather has negatively impacted US beef demand in the near term but prices are expected to be more robust later in the year.
- Mexico production continues to expand, resulting in higher exports to the US market. Mexico has now become a large enough supplier to rival Australia and New Zealand.
- Cattle slaughter in Argentina has slowed down and Uruguay slaughter seasonally declines during Jun-Sep. This will limit supply available for export to China, with Brazil and Australia likely to benefit.

Trade Update for Key Global Players

Main Global Meat Trading Countries, Both Export and Import

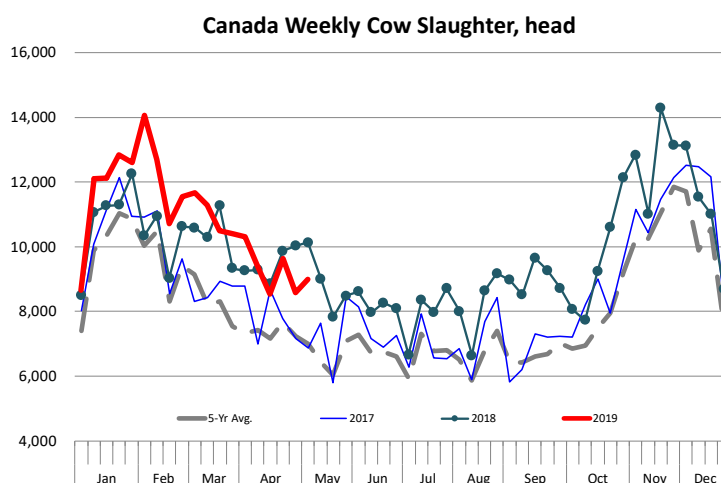
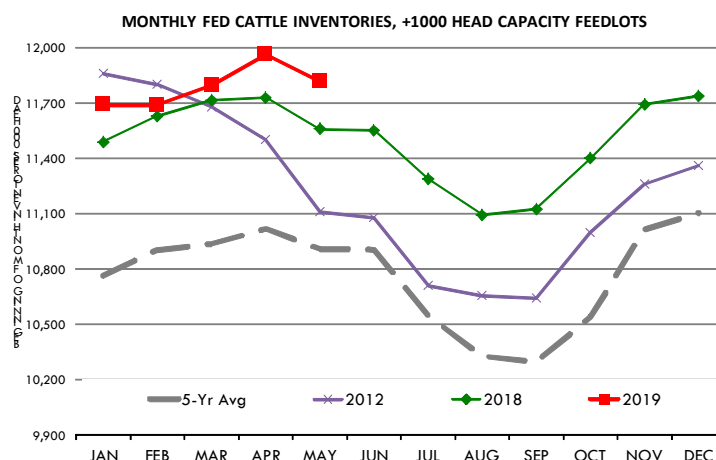
Countries	% of global export	% of global imports	Most Recent Trade Data	Y/Y Ch.	Y/Y % ch.	2018 Estimate	2019 Estimate	Y/Y Ch.	Y/Y % ch.	
EXPORTS										
Australia	19%	0%	Apr 2019	98,647	10,468	12%	1,125,653	1,136,910	11,257	1%
Argentina	2%	0%	Mar 2019	31,612	3,896	14%	368,577	445,978	77,401	21%
New Zealand	7%	0%	Apr 2019	44,413	2,711	6%	436,863	434,679	-2,184	0%
Brazil	18%	1%	Apr 2019	109,803	39,711	57%	1,353,290	1,450,727	97,437	7%
USA	11%		Mar 2019	78,380	-4,559	-5%	1,007,761	1,043,033	35,272	3%
IMPORTS										
USA		20%	Mar 2019	86,766	5,882	7%	963,234	948,786	-14,449	-2%
China	0%	9%	Mar 2019	101,440	25,510	34%	1,039,389	1,351,206	311,817	30%
Hong Kong			Mar 2019	34,971	-6,824	-16%	435,056	465,510	30,454	7%
Japan	0%	9%	Mar 2019	39,222	-5,558	-12%	607,716	638,102	30,386	5%
Russia	0%	8%	Feb 2019	21,951	152	1%	314,220	304,793	-9,427	-3%

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

North America Market Update

United States: US on feed supplies on May 1 were 2.2% higher than a year ago but well below the 2.9% increase analysts were expecting. Analysts on average were expecting placements to be up 13.5% compared to a year ago. USDA results, at +8.7%, came in on the low end of the range and may be viewed as supportive for the fall market. Placements in April were still higher than a year ago, in part due to the lower placements in the previous month but also because of a strong profit incentive given high Aug/Oct fed cattle futures and relatively low summer corn futures. Higher feeder cattle sales during April and higher imports also suggested good movement of cattle into feedlots. The debate always was about the degree to which feedlots increased their inventories last month. The USDA survey indicated that feedlots placed about 82,000 fewer cattle on feed than the market was expecting, a notable supply that may induce some adjustments to pricing for August and possibly for October. Futures in those two contract months have been drifting lower recently and the most recent results may help arrest that slide. As we look at the structure of placements, it appears to us that October has a better chance of gaining ground. Placements in April were 147k head larger than a year ago. Placements of cattle over 800 pounds were up 55k head and placements of cattle 700-799 pounds were up 32k head. So about 63% of the increase in placements came from cattle that should be market ready before the end of August. Add to this the fact that front end supplies are still historically large. By our estimates the inventory of cattle that on May 1 had been on feed for at least 150 days was 2.7 million head, about unchanged compared to April 1 and 4.3% higher than a year ago. The inventory of 120-day cattle was estimated at almost 4.4 million head, 1.8% higher than the already lofty levels of a year ago. A robust marketing rate in May and June should help further reduce that front end supply while good pasture conditions this spring are expected to space out cattle and make for a more robust beef and cattle market later in the year.

Feedlots marketed 1.928 million head of cattle in April, 6.9% more than a year ago. Analysts expected marketings to be 6.6% higher than last year. The marketing number should not come as a surprise. Steer and heifer slaughter was up about 7% during April, largely because of one extra marketing day compared to a year ago. The number of marketings closely follows fed slaughter numbers and participants were already ex-



pecting marketings to be on the high end of the analyst range.

Canada: Cow slaughter in Canada has been seasonally lower in recent weeks and we expect to see slaughter numbers to continue to decline into June. In the four weeks ending July 11 Canadian cow slaughter averaged 8,935 head/wk, 8.1% lower than a year ago but still as much as 23% above the five year average. Last year drought in the Canadian Prairies caused producers to cull deeper into the beef cow herd. While conditions in the US and Mexico have improved dramatically compared to a year ago, the situation in the Canadian Prairies is actually worse than last year, at least in parts of Alberta and Saskatchewan. So while we expect the number of cull cows to seasonally decline, so far it does not appear that we will see a really big decline in numbers. The Canadian

North America (continued)

beef cow herd was down on January 1, 2019 and we are currently on track for another down year in Canadian beef cow inventories.

Dry conditions and an improvement in the profitability outlook during April likely encouraged feedlots to increase the number of cattle placed on feed. April placements in Alberta and Saskatchewan feedlots were 151,123 head, 40% higher than a year ago and 33% higher than the five year average. Marketings in April were 143,319 head, 19% higher than last year. The total supply of cattle on feed in Canada as of May 1 was 1.003 million head, 10% higher than in both 2018 and 5-yr average.

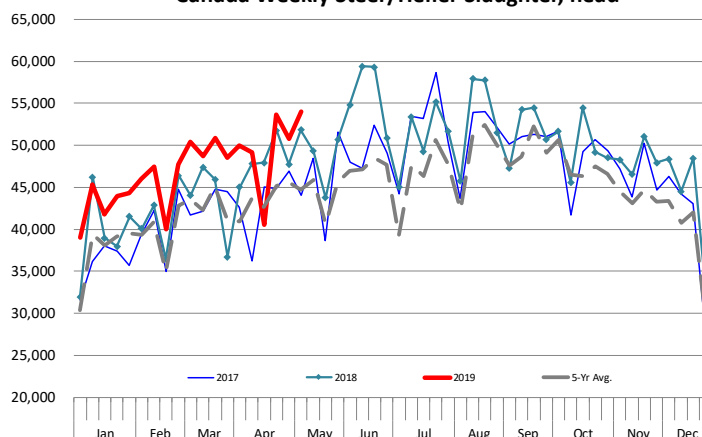
Mexico:

Beef production in Mexico continues to expand although the pace of growth has moderated somewhat. Total beef production in April was estimated at 160,165 MT, 2.3% higher than the previous year. In the first four months of the year Mexico production has averaged 2.1% higher than a year ago. In all of 2018 beef production increased by 2.9% from prior year levels. Continued supply growth in Mexico will drive exports, with exports to the US still accounting for the bulk of Mexico trade.

Cattle prices in Mexico so far this month are above year ago levels. According to SNIIM, the average live cattle price in the first three weeks of May was 54.7 peso per kg (approx. US\$284 per 100kg or US\$128.8 per 100lb). This price is 3.6% higher than prices paid for live cattle a year ago. Wholesale meat prices are also higher. So far this month the average wholesale beef prices was pegged at 76.5 peso per kg, 2.5% higher than a year ago. About 91% of cattle that were included in the reporting came from some kind of feedlot system while 9% were from grazing systems.

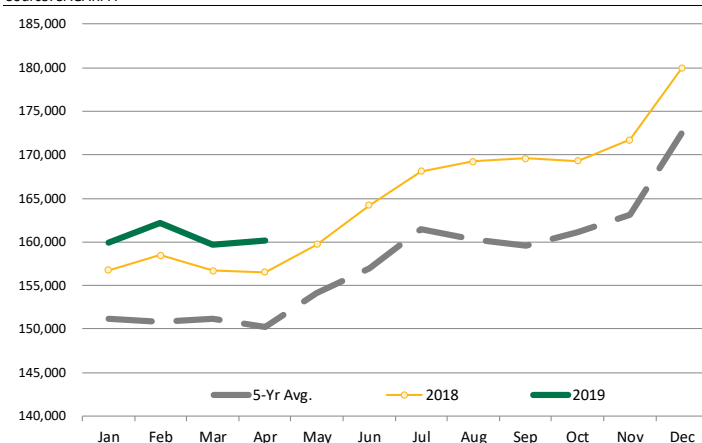
The latest trade data for Mexico is for the month of March. Total exports of fresh/frozen beef were 20,760 MT, 3,481 MT or 20% higher than a year ago. Exports to the US were 3,110 MT, 21% higher than a year ago while exports to Japan at 1,278 MT were 34% higher than last year. In the first three months of the year Mexican beef exports have increased by almost 15% from the previous year and about 88% of those shipments have gone to the US. While Mexico also imports a fair amount of beef, in the last two years the balance of trade has decidedly

Canada Weekly Steer/Heifer Slaughter, head



Mexico Beef Production

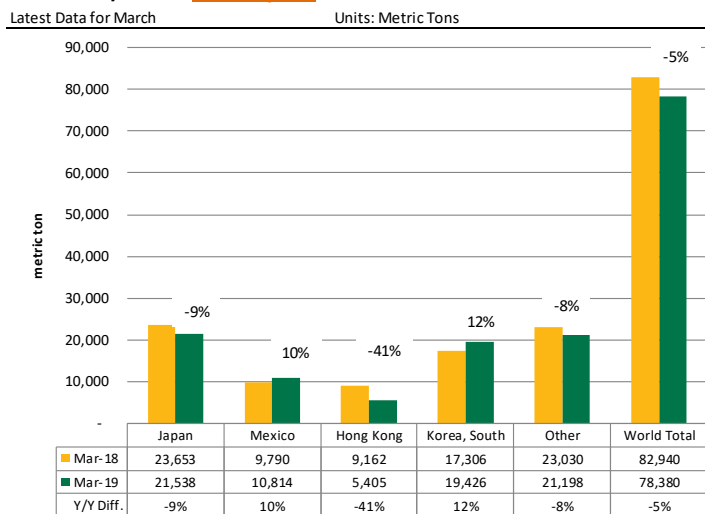
Source: SAGARPA



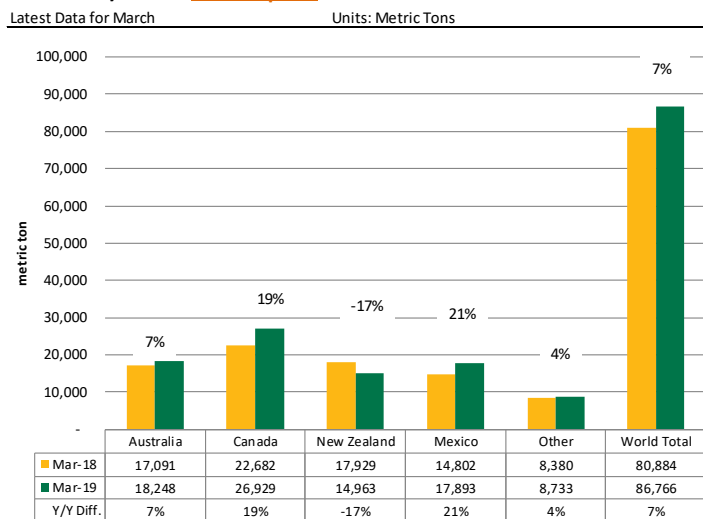
shifted in favor of exports. March imports of fresh/frozen beef were 10,197 MT, about half of the level of exports for the month. Import volume was about 3% higher than a year ago, with the bulk of it coming from the US. Total imports from the US were 8,182 MT, 2% higher than a year ago and representing 81% of all imports. Imports from Canada were 985 MT, 12% higher than last year. Imports from Australia and New Zealand remain minimal. For all of Q1 Mexico imported just 303 MT of Australian beef and no New Zealand beef.

North America Trade Statistics

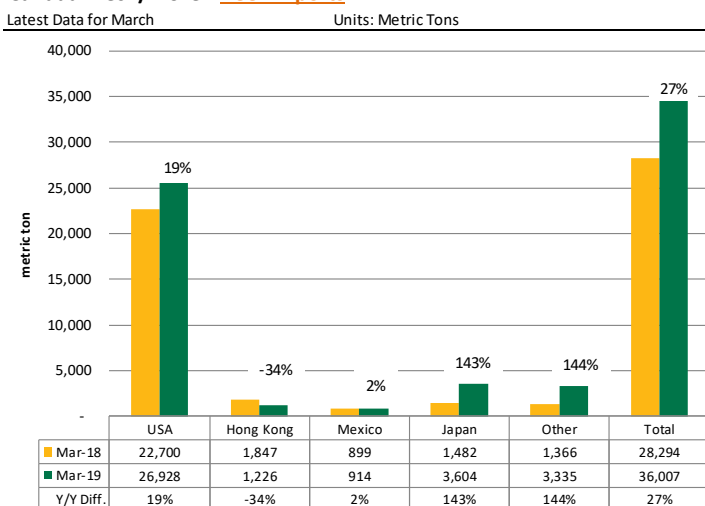
USA Fresh/Frozen Beef Exports



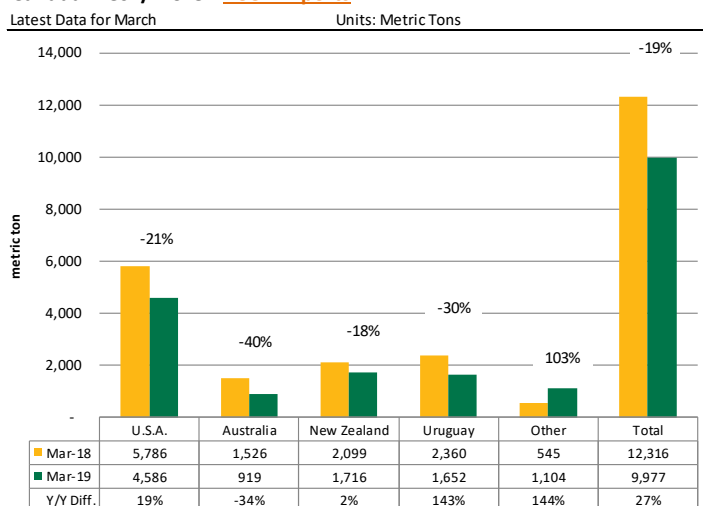
USA Fresh/Frozen Beef Imports



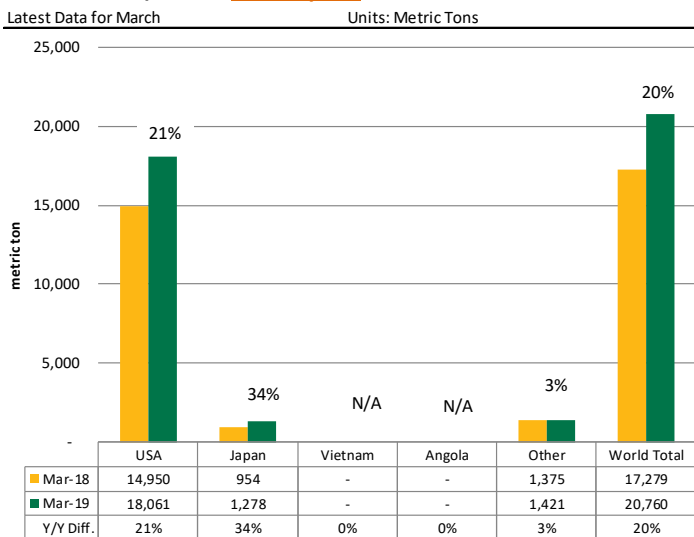
Canada Fresh/Frozen Beef Exports



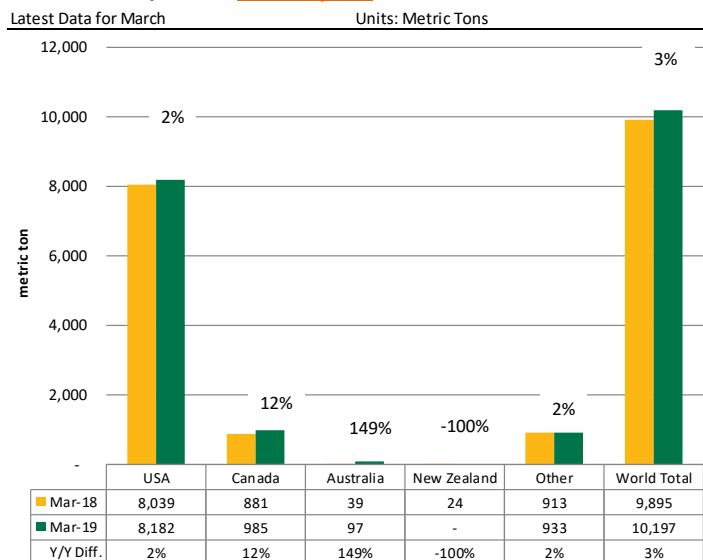
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



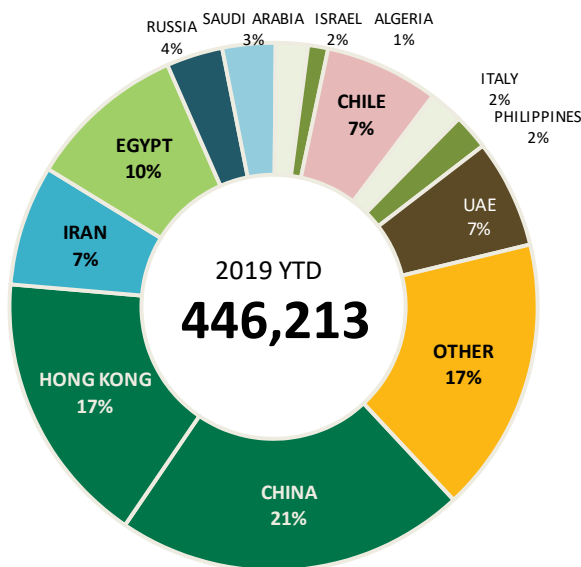
South America Market Update

Brazil: Brazilian beef exports show a huge jump compared to a year ago, with total shipments of fresh/frozen beef up some 57% from a year ago. However, keep in mind that Brazil exports were hampered by strikes and other supply disruptions during Apr-Jun 2018. While sharply higher than a year ago, April exports at 109,803 MT were lower than February and March volume. Total Brazilian exports of fresh/frozen beef in the first four months of the year were 446,213 MT, 15% higher than the previous year. China and Hong Kong remain the primary destinations for Brazilian beef exports, although the pace of exports has slowed down somewhat in the last two months. April exports to China were 21,423 MT, down from 24,895 MT in March but still about 50% higher than a year ago. Exports to Hong Kong were 16,119 MT, down from 20,340 MT in March but still about 14% higher than a year ago. The “other” category below includes a number of key markets, with Iran being a primary one. Last April exports to Iran were 3,116 MT. In April 2019 Brazil exports to this market were almost 10,000 MT. Exports to Israel have also improved in the last two months and at 2,401 MT in April they were more than double year ago levels. Exports to Russia were minimal last year while this year April shipments were 3,377 MT. Finally, there has been a surge of interest in the Philippines. Exports to this market in the first four months of the year have averaged over 2,400 MT/month, more than double year ago levels.

Argentina: US imports from Argentina remain minimal at this time, in part because Argentine packers are working to finalize the rules that will allow shipments of grinding beef to the US market. According to USDA-AMS, US imports of Argentine beef through the second week of May were just 14 MT while Customs data puts the figure of beef cleared for entry at 15 MT. With four and a half months of the year already behind us, Argentine beef has not been a factor in the US market. And with strong China demand packers in Argentina appear to be in no rush to sell to the US. March data showed Argentine beef exports for the month were 31,612 MT, almost 3,900 MT or 14% higher than a year ago. Exports to China in March were 20,821 MT, about 9,000 MT higher than a year ago. In order to support the 76% increase in shipments to China Argentina exported significantly less beef to all other markets, with shipments to Chile down 14%, shipments

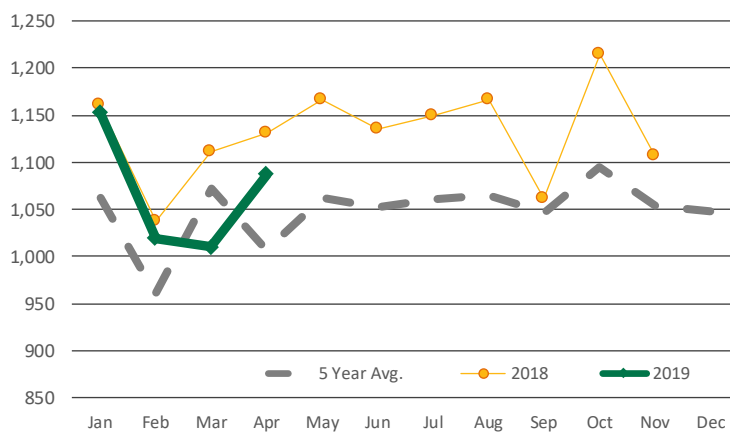
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Apr 2019



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



to Israel down 10% and shipments to other markets down 25%. Total Argentine beef exports have slowed down recently, largely a result of lower slaughter. According to IPCVA, beef production in Argentina in March was 228,998 MT, 12.1% lower than a year ago. For all of Q1 beef production in Argentina was 5.2% lower than a year ago.

Uruguay: Cattle slaughter in Uruguay was lower in mid April due to Easter but production has recovered and it is currently running well ahead of year ago levels. For the four weeks ending May 18 Uruguayan slaughter averaged 47,259 head/wk, 23.2% higher than the same four

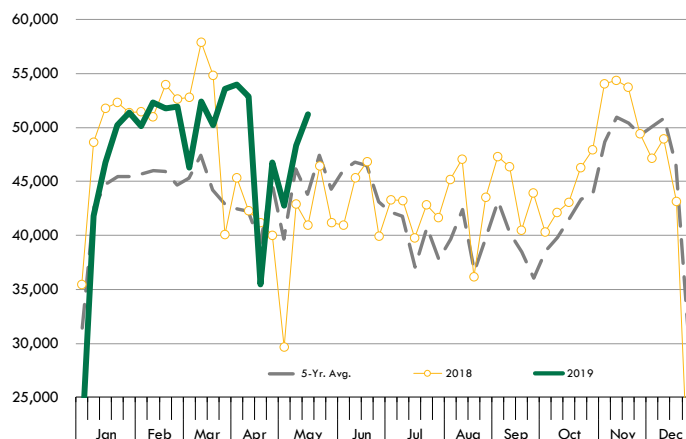
South America (continued)

week period a year ago and 8.4% higher than the five year average. Steer slaughter during this period averaged 21,619 head/wk, 13.5% higher than a year ago while cow slaughter at 18,966 head/wk was 2.7% higher than last year. Despite the modest increase in cow slaughter during the last four weeks, we think the trend continues to be down. Producers have significantly reduced the number of cull cows going to market this year, in part due to improved feed conditions but also because last year's culling rate is simply not sustainable. Cow slaughter since the start of the year is down almost 42,000 head or -9.3% from the same period a year ago.

Uruguay continues to benefit from big export demand in China. April shipments of fresh/frozen beef were 32,402 MT, 6,478 MT or 25% higher than a year ago. Exports to China last month were 22,150 MT, up 6,439 MT (almost the entire increase) or 41% higher than the previous year. In the first four months of the year exports to China are up 29% and China made up 64% of all exports.

Uruguay Cattle Slaughter, Total

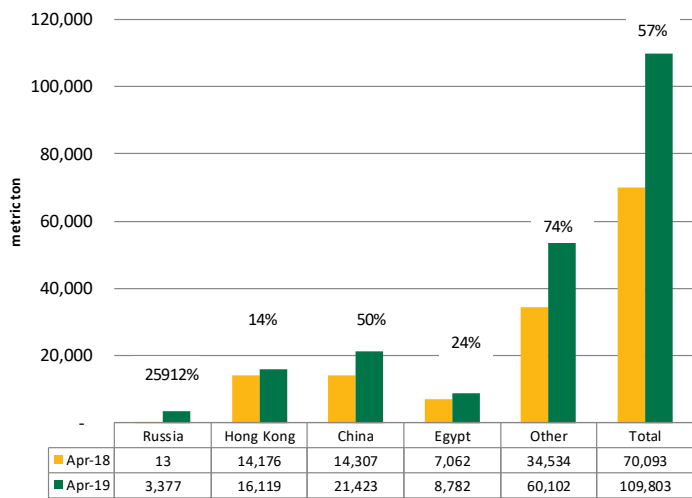
Weekly Slaughter in Head. Source: World Beef Report



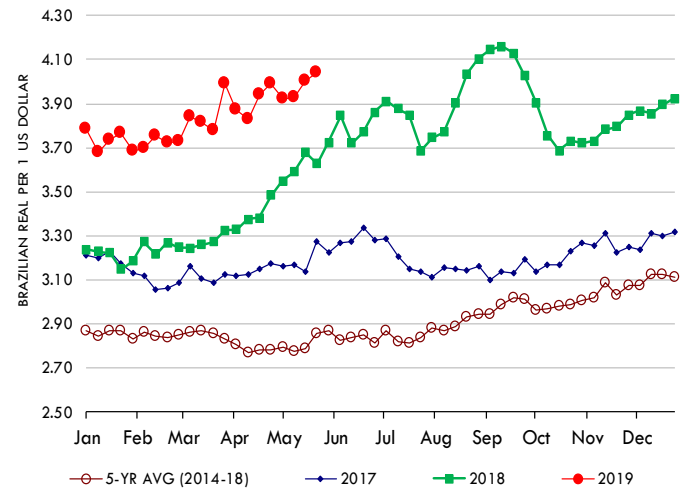
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons

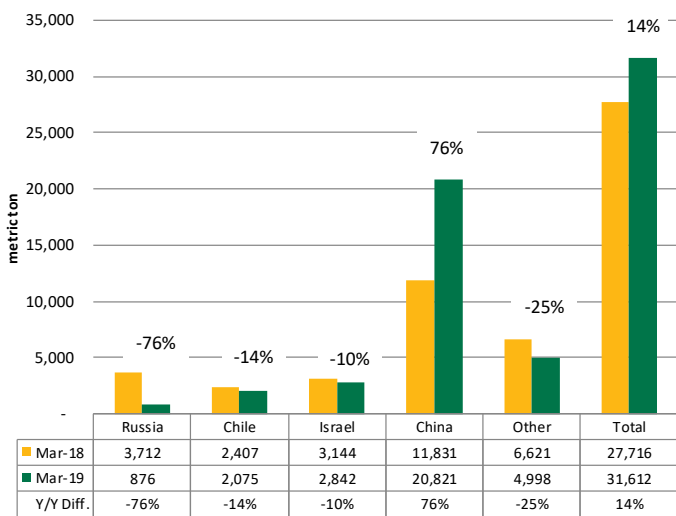


Brazilian Real Per 1 US Dollar

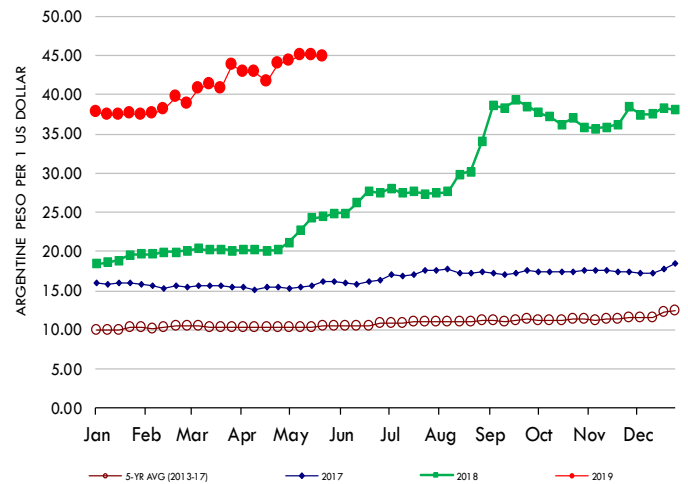


Argentina Fresh/Frozen Beef Exports

Latest Data for March Units: Metric Tons

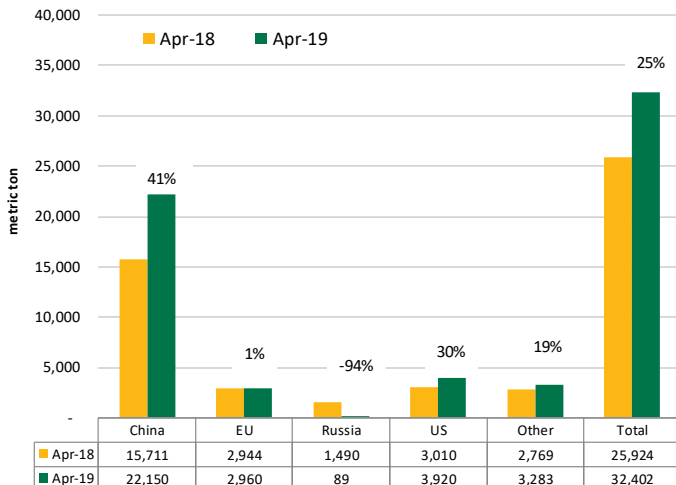


Argentine Peso Per 1 US Dollar

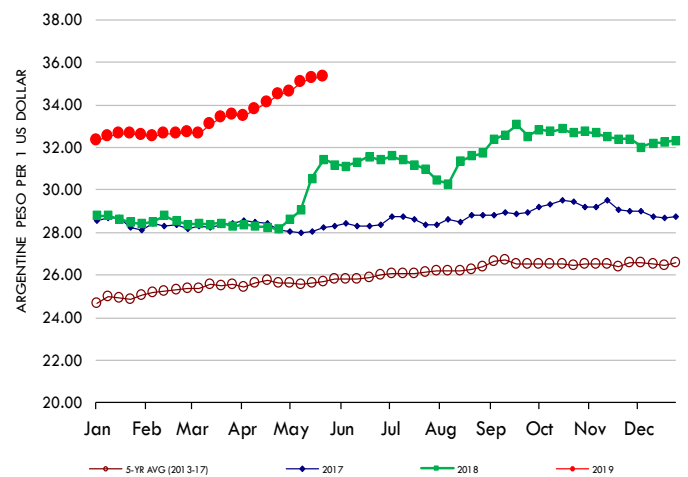


Uruguayan Fresh/Frozen Beef Exports

Latest Data for April Units: Metric Tons



Uruguay Peso Per 1 US Dollar



Asia / EU Market Update

China/Japan/S. Korea: China beef imports were up sharply last year and the country became the top beef importer in the world. The pace of beef imports shows no signs of slowing down, indeed imports accelerated in April. According to China Customs, total imports of fresh/frozen beef in April were 128,920 MT, 55,193 MT or 75% higher than a year ago. This is the biggest monthly import volume on record. In the first four months of the year China beef imports have increased by almost 155,000 MT and the country is on pace to import over 450,000 MT of beef this year. Our baseline forecast (see page 1) is not that high but even with a conservative 30% growth in China beef imports, this would represent a gain of over 310,000 MT Y/Y. As we look at the top global beef exporters, our forecasts for their overall exports are below the China import total. That implies higher beef prices will be needed to either bring more supply to market (accelerate slaughter) or “buy” product away from other importing countries. Imports from Australia were 27,234 MT in April, 120% higher than a year ago and making it the top supplier to China for the month. In the first four months of the year the biggest beef supplier to China was Brazil, followed closely by Argentina and Uruguay.

European Union:

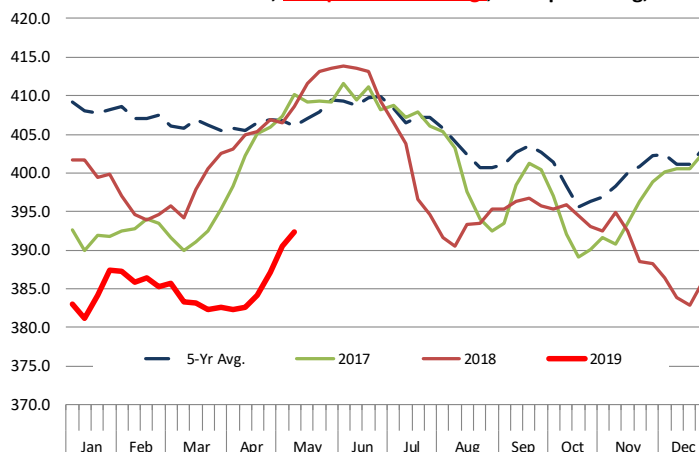
While Brexit remains a long term issue for Irish farmers, this is not an immediate concern. This has resulted in a shift in both the supply and price picture for Irish beef. Slaughter for some cattle classes continues to run above year ago levels but the overall supply of cattle coming to market has declined. In the last four weeks cattle slaughter in Ireland averaged 31,233 head/wk, just 0.7% higher than a year ago. In mid April 4-wk slaughter was running as much as 6% above year ago levels. Cow slaughter in the last four weeks averaged 6,350 head/wk, 8.3% lower than a year ago while steer slaughter was an average of 10,381 head/wk, 6.8% lower than last year. But even as supplies have tightened up in recent weeks, there is persistent concern about the longer term outlook for the Irish beef industry. As a result, producers are sending more younger animals to market rather than holding them back for herd rebuilding purposes. Heifer slaughter has been running well above year ago levels in the first four months of the year and slaughter was up

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

Source: China Customs

Import Partners	4/1/2018	4/1/2019	Y/Y MT	Y/Y %	Jan - Apr		Y/Y MT	Y/Y %
					2018	2019		
Brazil	22,330	27,082	4,751	21%	84,973	100,753	15,780	19%
Uruguay	18,896	25,198	6,302	33%	69,884	87,982	18,098	26%
Argentina	10,724	24,895	14,171	132%	40,511	94,339	53,828	133%
Australia	12,356	27,234	14,877	120%	46,274	79,093	32,820	71%
New Zealand	7,408	19,595	12,187	165%	35,526	61,128	25,602	72%
Canada	489	1,615	1,126	230%	1,492	5,026	3,534	237%
South Africa	330	-	(330)	-100%	1,412	1,873	462	33%
Costa Rica	429	1,153	725	169%	1,472	3,175	1,703	116%
United States	368	495	127	35%	2,323	2,280	(43)	-2%
Other	396	1,653	1,258	318%	1,454	3,055	1,601	110%
Total	73,727	128,920	55,193	75%	285,391	440,366	154,975	54%

R3 Steer Price, European Union Avg., Euro per 100kg, dw

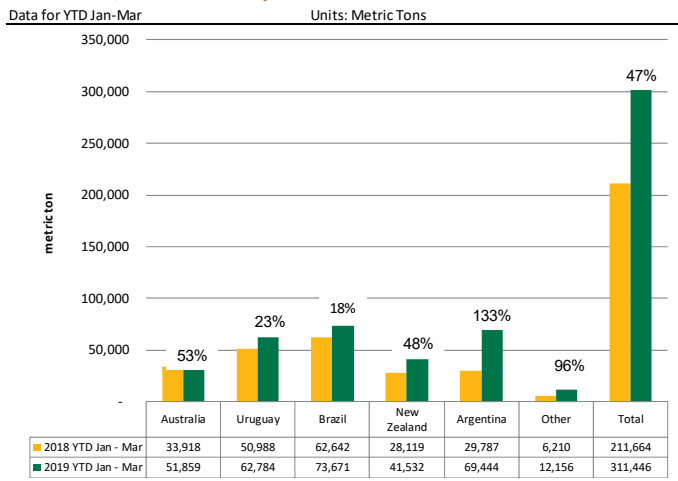


again in May. In the four weeks ending May 19 heifer slaughter in Ireland averaged 9,467 head/wk, 10% higher than a year ago. Young bull slaughter during this period was also 8% higher than a year ago.

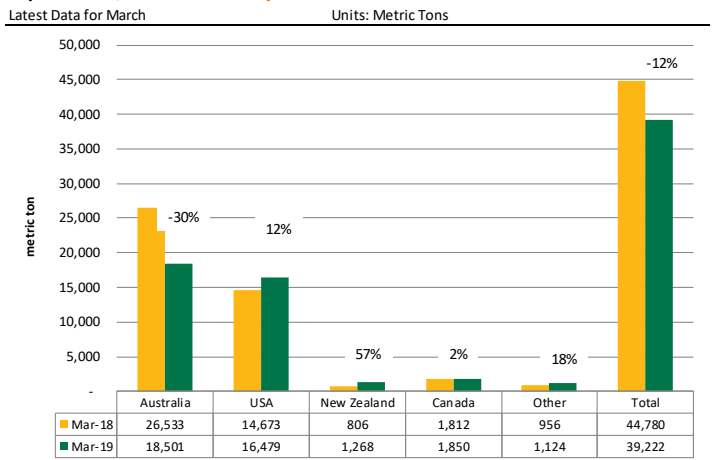
US imports of Irish beef remain limited. March imports were 136 MT and Q1 imports were just 529 MT. This is higher than the 320 MT imported in Q1 of 2018 but still a relatively small figure considering the size of the US market. Ireland remains a marginal imported beef supplies for the US at this time.

Asia / EU Trade Statistics

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

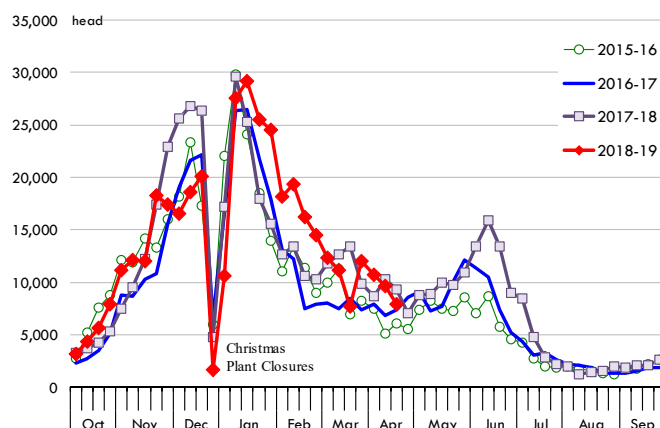
New Zealand: While there has been a lot of variability in New Zealand slaughter this past marketing year, taken in its entirety slaughter is actually quite close to year ago levels. Through week 29 slaughter has been about 34,300 head or 2.3% higher than the previous year. Slaughter in February and March was up 30% compared to the previous year, offsetting the slow pace of slaughter in late 2018. Seasonally NZ slaughter peaks in May and then heads lower in the second half of June. We expect a similar pattern this year. New Zealand beef exports in April were 44,413 MT, 6% higher than a year ago. Exports to the US market at 15,689 MT were 26% lower than a year ago while exports to China were 18,329 MT, about double the volume exported last year. In the first four months of the year exports to China were up 31,083 MT or 86% while exports to the US were down 13k MT.

Australia: Australian slaughter was lower in the second half of April due to Easter and ANZAC holidays. Slaughter for the week ending April 19 was 127,155 head, 14% lower than a year ago and last week it was 87,231 head, 29% lower than a year ago. However, slaughter has improved significantly in the last two weeks. Slaughter for the week ending May 17 was 153,569 head, 4% higher than a year ago. This slaughter volume is the second highest so far this year (highest was in early March). Prior to that one has to go back to October 2015 for similar slaughter numbers. As usual, the outlook for Australian slaughter during Jun-Aug will depend on rainfall. The latest Climate Outlook from BOM shows a low probability (less than 35%) of exceeding the median rainfall during this period. The increase in slaughter during May is expected to bolster export volumes for the month. Below is a brief update on April shipments and our projections for May:

Total Australian fresh/frozen beef exports in April were 98,647 MT, 10,468 MT or 12% higher than a year ago. China continues to absorb the bulk of the increase in Australian shipments. Total beef exports to China in April were 20,629 MT, 7,914 MT or 62% higher than a year ago. May exports to China in May are expected to decline from April levels but are still expected to be about 20% above year ago levels. Exports to the US market in April were 21,603 MT, 2,376 MT or 12% higher than a year ago. May exports to the US are currently projected to be around 23,000 MT, 1.7% higher than a year ago. Exports to South Korea in April were 14,661 MT, 27% higher than last year while Japan exports were 22,108

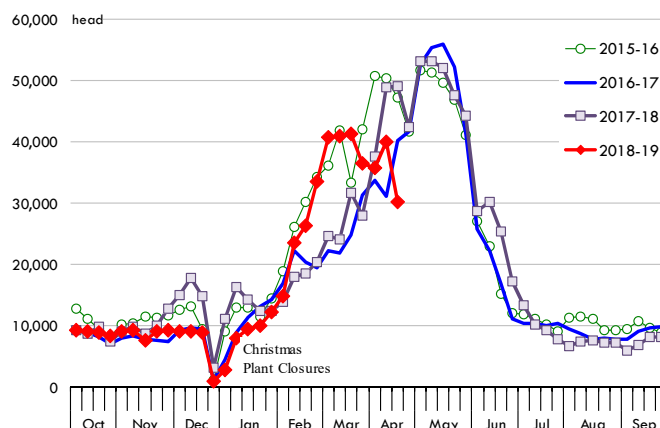
New Zealand Weekly Bull Slaughter

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



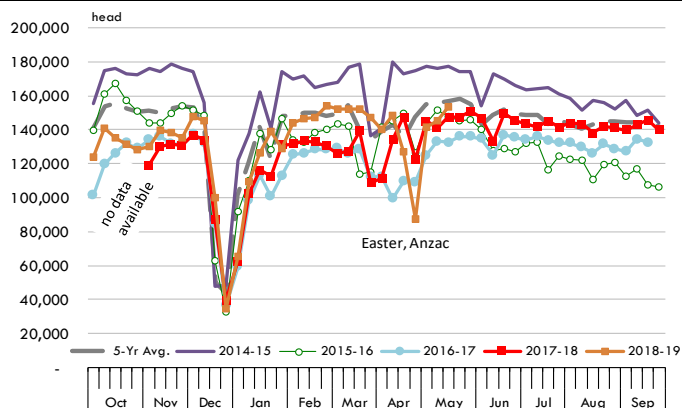
New Zealand Weekly Cow Slaughter

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



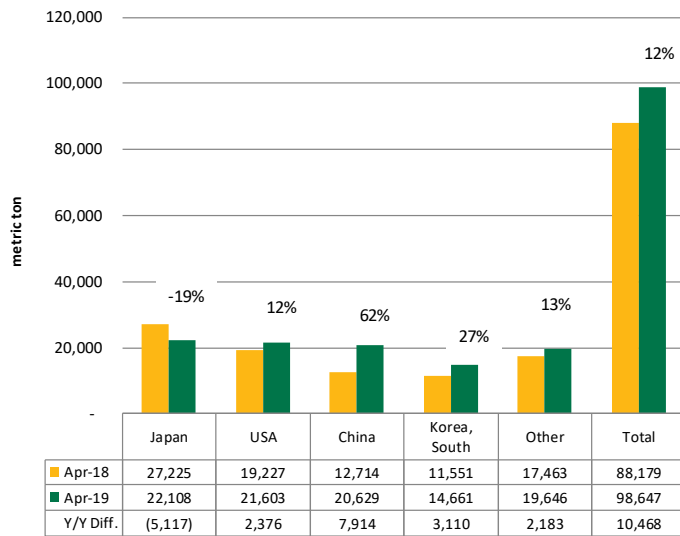
MT, 19% lower than last year. May shipments to both South Korea and Japan are on track to be lower than a year ago. We are currently projecting shipments to Japan to be down 19% while exports to South Korea are expected to be down 10% y/y.

Oceania Statistics

Australia Fresh/Frozen Beef Exports

Latest Data for April

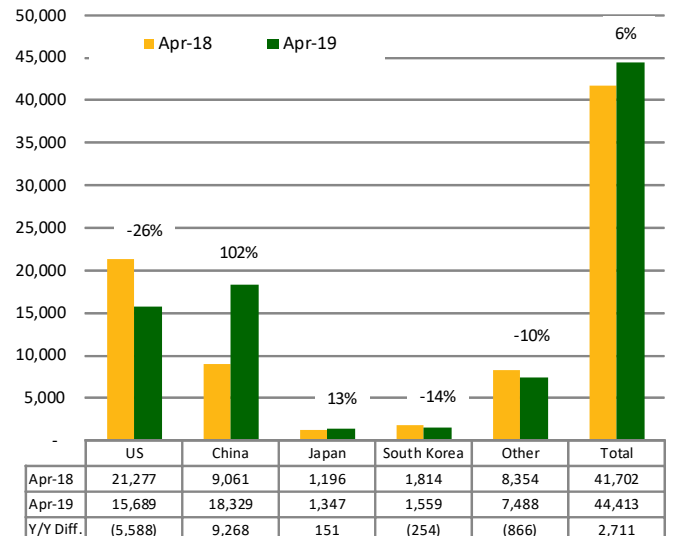
Units: Metric Tons



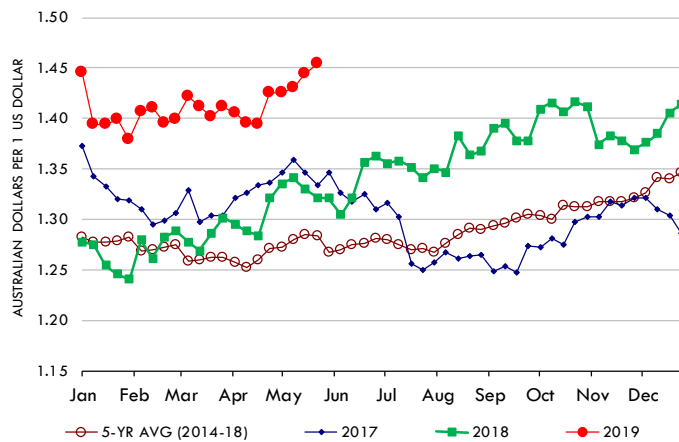
New Zealand Fresh/Frozen Beef Exports

Latest Data for April

Units: Metric Tons



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



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

