

Global Beef Market Monthly Review

September 2019

September 27, 2019

Volume 1, Issue 9

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Highlights:

- New Zealand exports were up 10% in August and yet exports to the US market, once the top market for New Zealand beef, were down 35%. Over half of all New Zealand beef shipments in August went to China. Year to date NZ shipments to China are up 73%.
- Strong China demand continues to drive beef shipments from South America. While exports from Brazil to China were down in August, we expect that trend to change as 17 new beef plants were approved for shipments to the Chinese market.
- About 70% of exports from Argentina and Uruguay are currently going to the Chinese market.
- The depreciation of the Peso and robust demand in the world market has encouraged more liquidation in Argentina. Slaughter in the last two months has been on average 6% higher than a year ago.
- A different situation is playing out in Uruguay. Cow slaughter has declined sharply as producers look to retain more females and bolster their calf crop. The reduction in slaughter has resulted in sharply higher cattle prices in the last two months.
- US feedlot inventories have been steadily declining. While cattle prices in the near term are weak, the decline in placements creates more upside risk for Q1 of 2020.

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%	Aug 2019	106,332	-589	-1%	1,125,653	1,170,679	45,026	4%
Argentina	2%	0%	Jul 2019	41,990	8,851	27%	368,577	504,950	136,373	37%
New Zealand	7%	0%	Aug 2019	28,346	2,683	10%	436,863	449,969	13,106	3%
Brazil	18%	1%	Aug 2019	126,426	-17,997	-12%	1,353,290	1,488,619	135,329	10%
USA	11%		Jul 2019	87,059	-2,826	-3%	1,007,761	997,684	-10,078	-1%
IMPORTS										
USA		20%	Jul 2019	85,393	-9,366	-10%	963,234	977,683	14,449	1%
China	0%	9%	Aug 2019	130,532	31,888	32%	1,039,389	1,507,114	467,725	45%
Hong Kong			Jul 2019	30,731	407	1%	435,056	391,551	-43,506	-10%
Japan	0%	9%	Jul 2019	62,540	-3,016	-5%	607,716	638,102	30,386	5%
Russia	0%	8%	Jul 2019	27,103	300	1%	314,220	304,793	-9,427	-3%

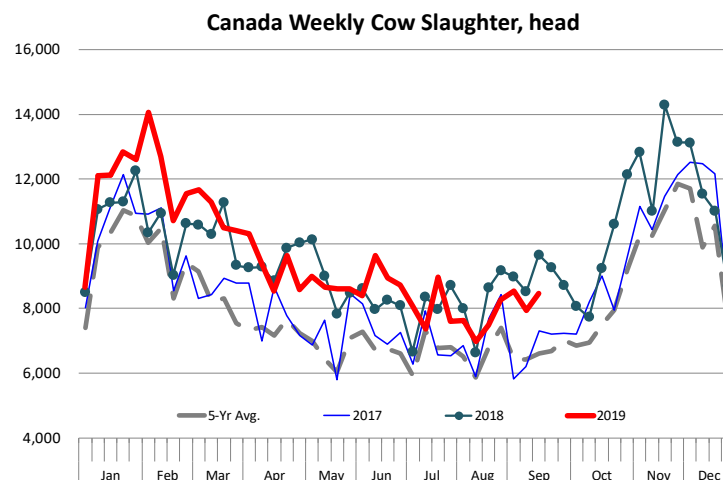
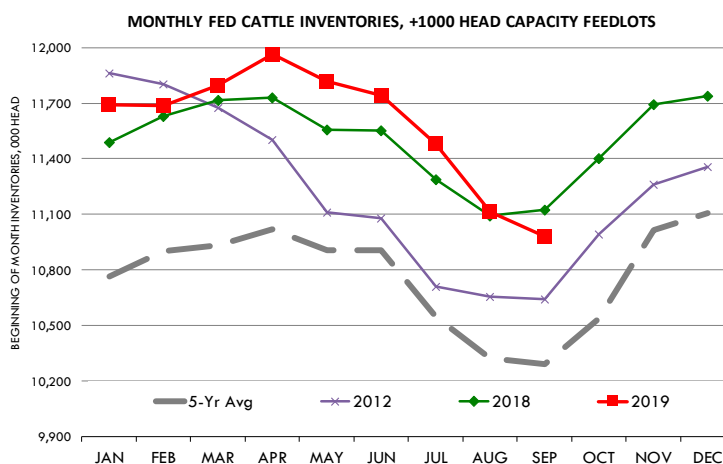
*** Product wt. basis. Projections for 2019 made by Steiner Consulting.

North America Market Update

United States: According to USDA, on September 1 the total inventory of cattle in feedlots with +1000 head capacity was 10.982 million head, 1.3% lower than a year ago. Analysts expected the total on feed number to be down 0.6%. The supply of market ready cattle remains above year ago levels but it is slowly coming down. The number of cattle that on September 1 had been on feed for 120 days or more was 3.850 million head, 5.8% higher than a year ago. We estimate the supply of +150 day cattle on feed as of September 1 to be 2.068 million head, 3% higher than a year ago. If feedlots maintain the current marketing pace, we would expect both the +120 day and +150 day cattle inventory to be near or even below year ago levels on October 1.

Placements of cattle on feed during August were estimated at 1.884 million head, 186,000 head or 9% lower than a year ago. This is lower than the 5.7% decline in placements analysts were expecting. Placements were lower across all weight categories but, as has been the case for the last few months, the biggest decline was in placements of light calves. Placements of cattle under 700 pounds in August were 685,000 head, 80,000 head or 10.5% lower than a year ago. In the last four months placements of 600 pound or less cattle have declined by 185,000 head, 11% lower than a year ago while placements of cattle between 600-699 pounds were 150,000 head, 11.5% lower than a year ago. On the other hand, in the last four months placements of cattle over 700 pounds have been near exactly the same as a year ago. As long as the marketing rate stays near what it was last year, we will see the supply of market ready cattle slowly decline and may result in significantly tighter supplies by late Nov of this year and set up for even tighter supplies in Q1 of next year. The key here, however, is that feedlots are able to maintain the marketing rate.

US feedlots marketed 1.953 million head of cattle in August, 1.5% less than a year ago. Analysts polled ahead of the USDA report also expected to see a 1.7% decline in marketings. There was one less marketing day in August, which affected the year/year comparison. If we adjust for the calendar difference, daily marketings in August were 2.9% higher than a year ago. The marketing number was consistent with the reported fed cattle slaughter during the month of August. According to USDA, daily fed cattle slaughter for the month was 1.5% lower than a year ago. The ratio of marketings in August



vs. the supply of +90-day cattle was 33.7%, almost 2 full points lower than a year ago and four points lower than in 2017. One extra marketing day in September should help bolster the marketing rate. Strong margins have so far allowed packers to run extra shifts on Saturday. This Saturday slaughter was estimated at 75,000 head and fed slaughter we think was around 61,000 head. A robust marketing rate in September and October combined with lower placements of light cattle in the last two months could result in a marketing hole later this year and especially in Q1.

Canada: While Canadian cow slaughter should seasonally increase in Q4, overall beef supplies will decline as both steer and heifer slaughter tend to drift lower in the last quarter of the year. Cow slaughter in Canada so far this year has been above the same period a year ago but that has changed in recent weeks. During the four weeks end-

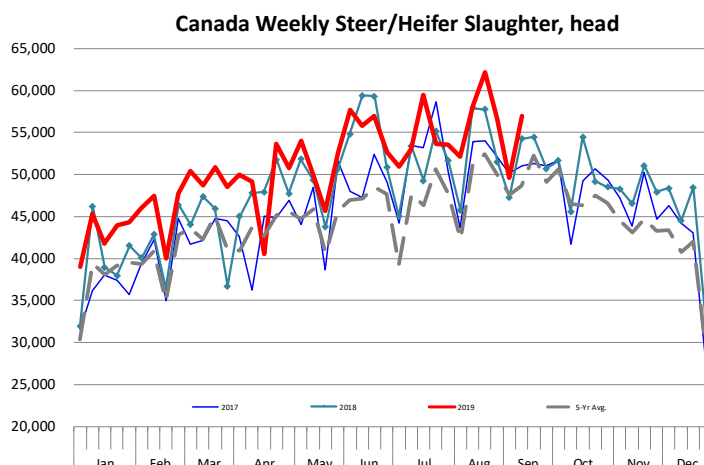
North America (continued)

ing September 14 cow slaughter in Canada averaged 8,303 head/wk, 8.5% lower than a year ago. However, the current culling rate remains quite high by historical standards. And the reason is not because of a shift in the cow herd. Indeed, the herd on July 1 was at one of the lowest points in the last 20 years. Slaughter during the four week reference period was 24% higher than the five year average. Total Canadian cow slaughter so far this year has been 25% higher than the five year average as well. Steer and heifer slaughter during this period averaged 56,370 head/wk, 7% higher than year ago. For the year fed cattle slaughter in Canada has been on average 6% higher than in 2018.

Robust production growth in Canada in recent months and a weak Canadian dollar have resulted in a notable reduction in beef imports this year. Total imports from all destinations and all products through September 21 were down 15.2% from a year ago. Imports from the US so far this year are running 14.3% lower than a year ago while imports from Australia were down 32% and imports from New Zealand were down 26.3%.

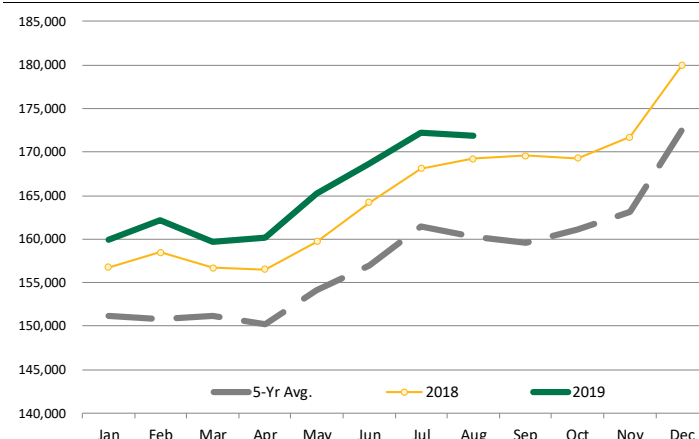
Mexico: Mexican beef production in August was estimated at 171,812 MT (cwe), 1.5% higher than a year ago. This was the lowest y/y growth in Mexican beef production since October 2017. While output is expected to continue to increase in the coming months, it remains to be seen whether it will be possible to maintain the +2.5% growth pace that we saw in the first half of the year.

A recent USDA report, prepared by USDA staff in Mexico, noted that beef production in the country is expected to increase at a modest pace in 2020. A larger breeding herd is expected to result in a larger calf crop and steady production gains. In its latest report USDA estimates the January 1, 2020 Mexican cattle herd at 16.9 million head, 1.2% higher than the previous year. The Mexican cattle herd has expanded despite continued increases in both slaughter and the number of cattle exported to the US. Mexican slaughter for all of 2019 is forecast at 6.250 million head, 1.1% higher than the previous year. Beef production in Mexico is forecast to increase by 2.5%, suggesting an increase in lot feeding and heavier cattle coming to market this year and next. Slaughter for next year is forecast at 6.325 million head, 1.2% higher while production at 2.070 billion pounds is



Mexico Beef Production

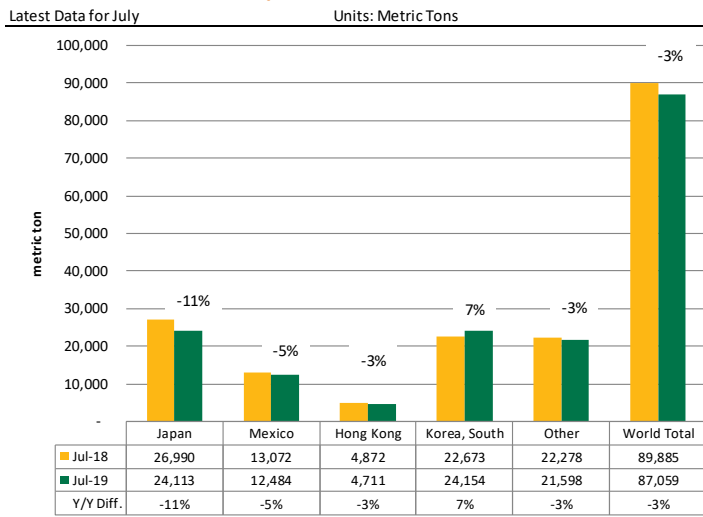
Source: SAGARPA



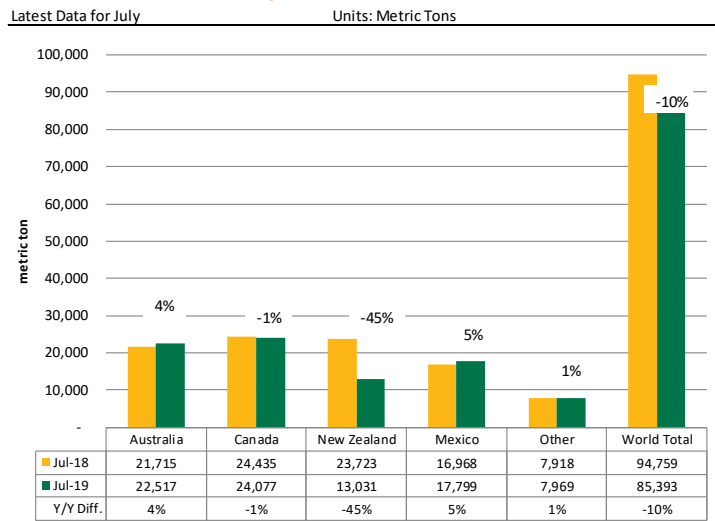
forecast up 2% compared to the 2019 projection. Driving the increase in the overall inventory and slaughter is the continued growth in the Mexican calf crop. Improvements in genetics have sustained growth in beef production while the continued growth of the beef cow herd continues to underpin cattle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

North America Trade Statistics

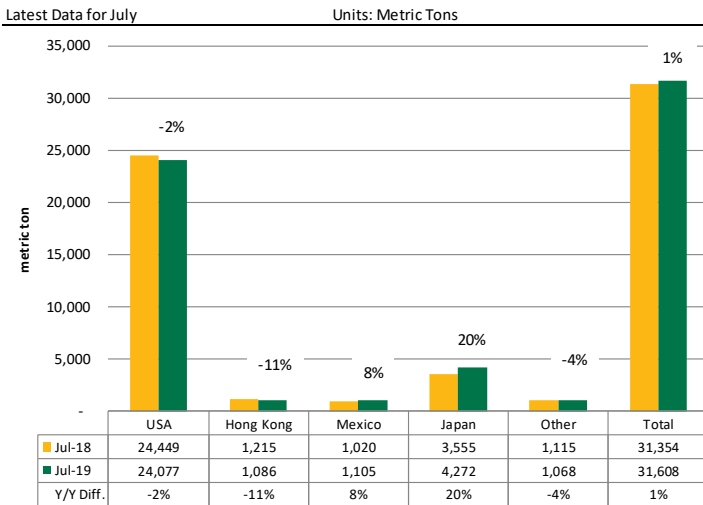
USA Fresh/Frozen Beef Exports



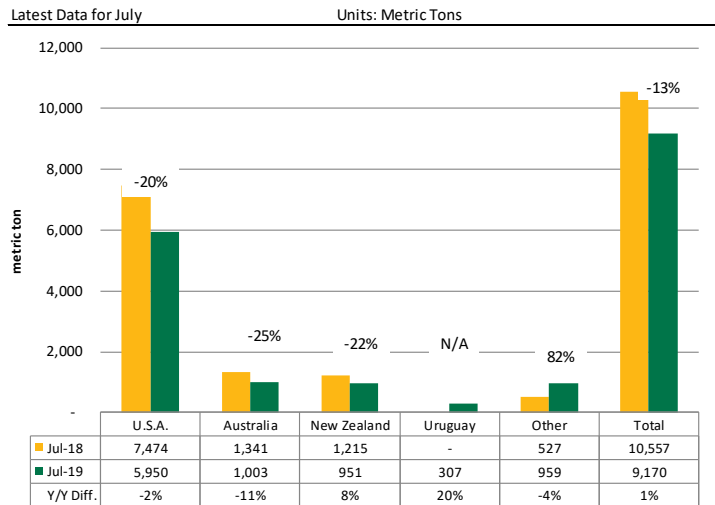
USA Fresh/Frozen Beef Imports



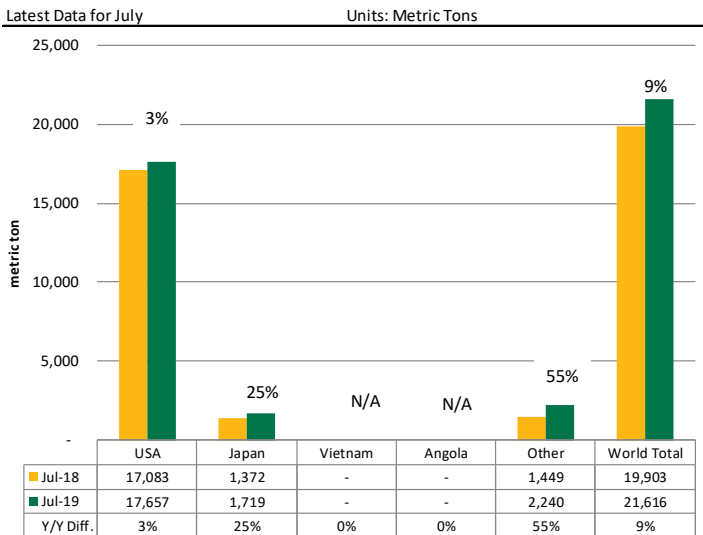
Canada Fresh/Frozen Beef Exports



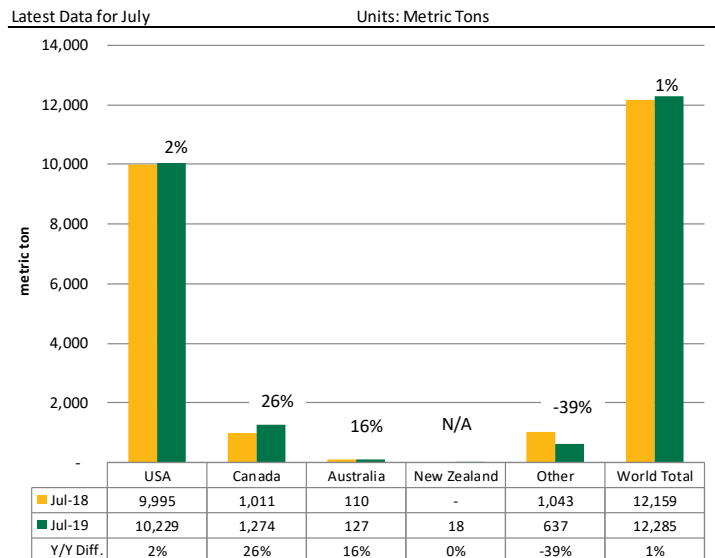
Canada Fresh/Frozen Beef Imports



Mexico Fresh/Frozen Beef Exports



Mexico Fresh/Frozen Beef Imports



South America Market Update

Brazil: Brazil exports of fresh/frozen beef in August were 126,426 MT, about 3,000 MT lower than the previous month but about 12% lower than a year ago. We do not think the lower y/y exports are indicative of a slowdown in the export pace. Rather, last year disruptions to exports in April, May and June resulted in a backlog of product that inflated export volumes during Q3. We think Brazil remains on pace to increase its beef exports this year by 10% over the already record volume exported the previous year.

One market that has seen a significant slowdown in trade has been Hong Kong. Exports to Hong Kong in August were 16,590 MT, 38% lower than a year ago. In the first eight months of the year exports to this market were down 15%. US beef exports to Hong Kong are down as well. The ramp up in the trade war between US and China has resulted in much more stringent policing of the gray trade between Hong Kong and Mainland China. On the other hand, direct Brazil shipments to mainland China in August were 37,293 MT, 12% higher than a year ago and accounting for about a third of all exports. The main reason Brazil has not been shipping more product to China is because many plants have not been approved by Chinese authorities. That appears to be changing. Two weeks ago Brazilian authorities reported that 17 additional beef plants had been granted licenses to ship product to China. We expect Brazil beef shipments to China during Sep-Dec to be up as much as 25% from last year's levels.

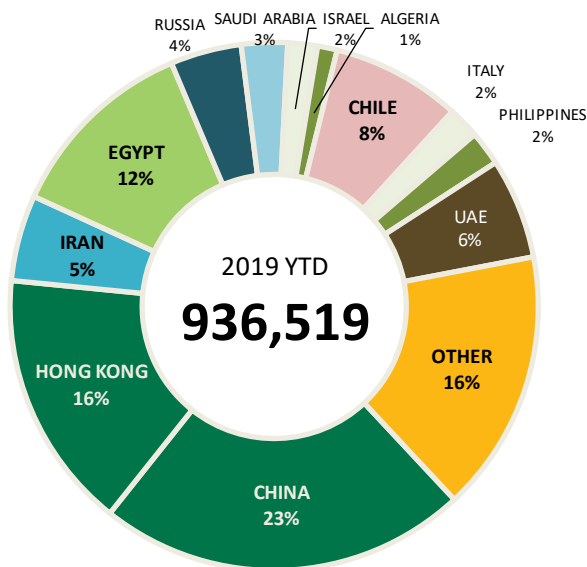
Argentina: Argentine beef exports have been dominated by China so far this year and it appears that more Argentine beef will likely go into the Chinese market in the next 12 months. Reports from China note that in the last week alone China Customs has approved eight new Argentine beef plants and seven poultry plants.

Shipments of fresh and frozen beef in July were 41,990 MT, 8,851 MT or 27% higher than a year ago. Exports to China in July were 31,057 MT, 75% higher than a year ago and accounting for about 3/4 of all Argentine beef exports for the month. For the year exports of Argentine beef to China were 194,891 MT, more than double year ago levels.

The main challenge for Argentine producers going forward will be sustaining the current level of exports to China and the rest of the world. Argentine slaughter was lower than a year ago in the first half of the year and yet

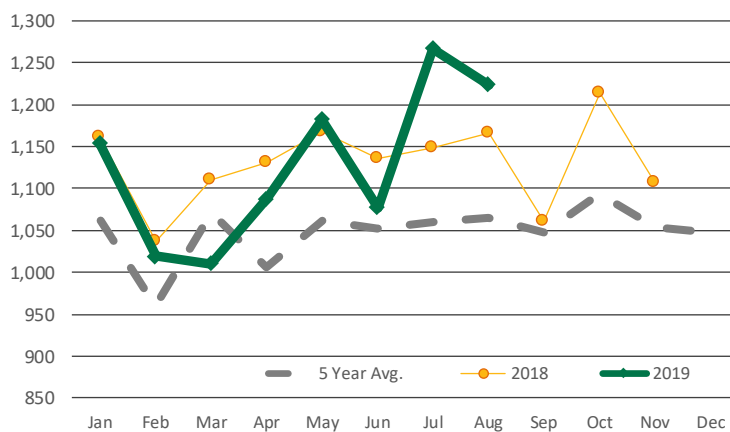
Brazil Beef Fr/Frz Beef Exports. Metric Ton

Source: COMEX. Jan - Aug 2019



Monthly Argentina Cattle Slaughter, Total Slaughter. '000 Head

Source: SENASA



exports continued to run well above year ago levels. We suspect domestic consumption has been declining in the last two years as more product goes into export channel. Argentine cattle slaughter in July was reported at 1.267 million head, 10.3% higher than year ago while August slaughter was 1.224 million head, 4.9% higher than last year.

Uruguay: Weekly cattle slaughter in Uruguay has rebounded from the winter lows and should move higher into the spring and summer (Southern Hemisphere). Overall slaughter remains below year ago levels, however, as producers respond to excellent returns and improved pasture conditions by sending fewer cows to mar-

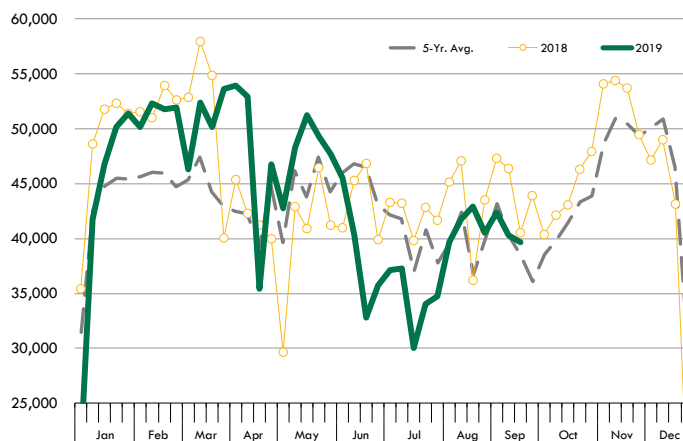
South America (continued)

ket. Cattle slaughter in the four weeks ending September 21 averaged 40,707 head/wk, 8.4% lower than a year ago but fairly similar to the five year average. Steer slaughter during this period averaged 19,365 head/wk, 7.1% lower than last year and also 7% lower than the five year average. Cow slaughter, however, was just 13,803 head/wk, down 40% compared to last year and 27% lower than the five year average.

Lower slaughter in July and August has limited the supply of beef available for exports. And with China demand continuing to grow, there is even less product available for export to other markets. Total exports of fresh/frozen beef in August were 27,473 MT, 1,857 MT or 6% lower than a year ago. Exports to China were 19,675 MT, up 4,461 MT or 29% compared to a year ago. Exports to other markets were sharply lower, with shipments to the US in August at just 1,865 MT, 45% lower than last year.

Uruguay Cattle Slaughter, Total

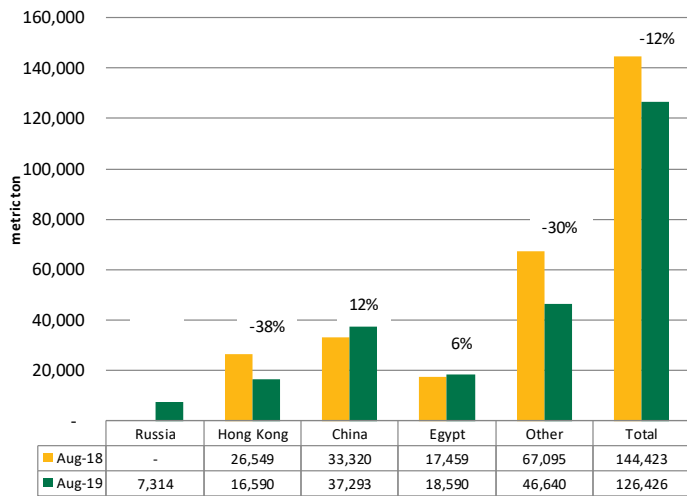
Weekly Slaughter in Head. Source: World Beef Report



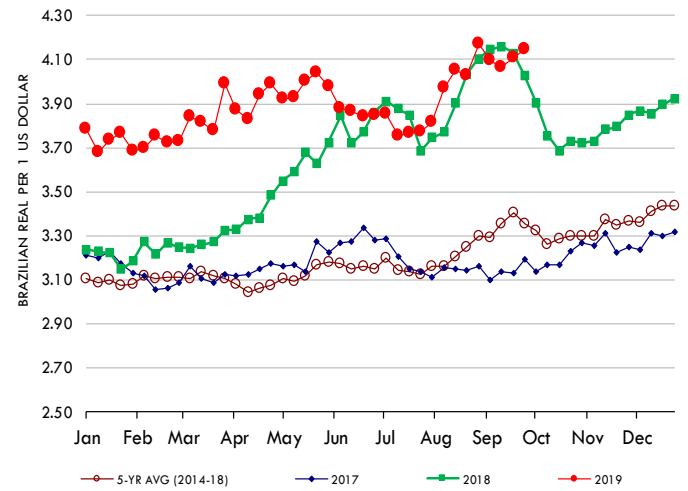
South America Trade Statistics

Brazil Fresh/Frozen Beef Exports

Latest Data for August Units: Metric Tons

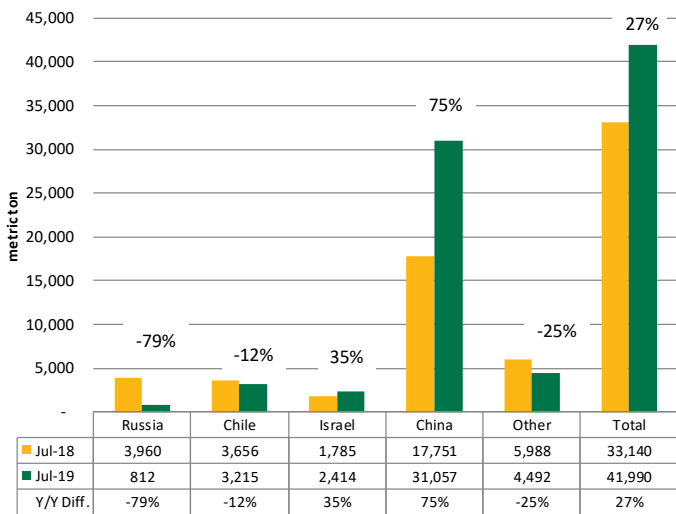


Brazilian Real Per 1 US Dollar

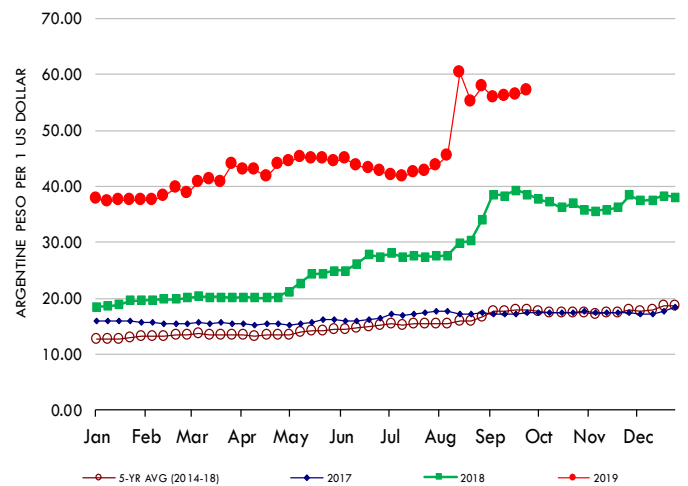


Argentina Fresh/Frozen Beef Exports

Latest Data for July Units: Metric Tons

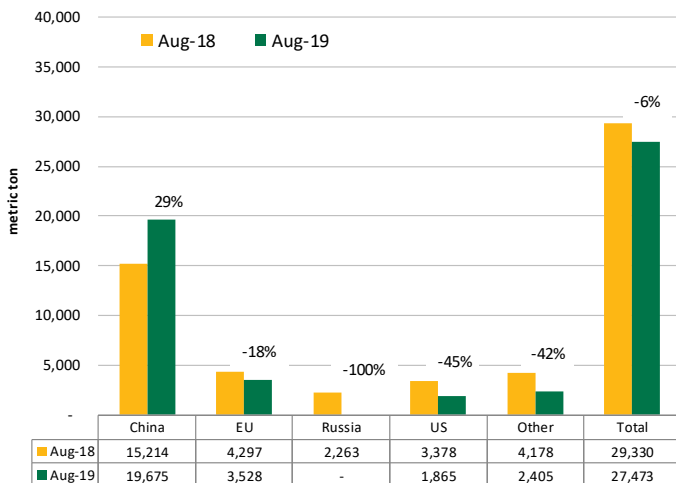


Argentine Peso Per 1 US Dollar

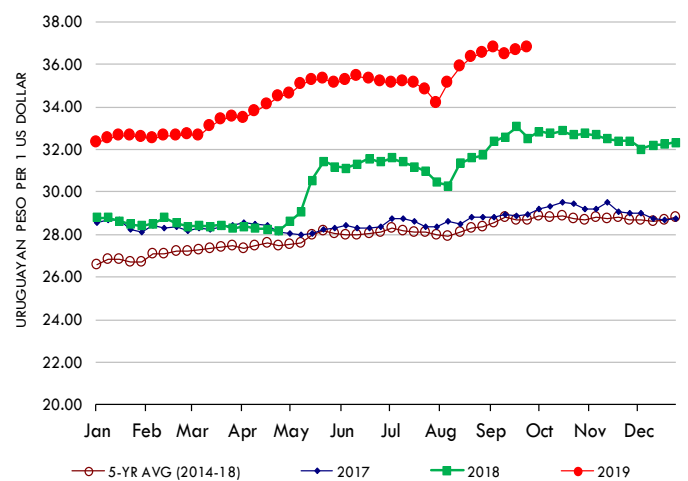


Uruguayan Fresh/Frozen Beef Exports

Latest Data for August Units: Metric Tons



Uruguay Peso Per 1 US Dollar



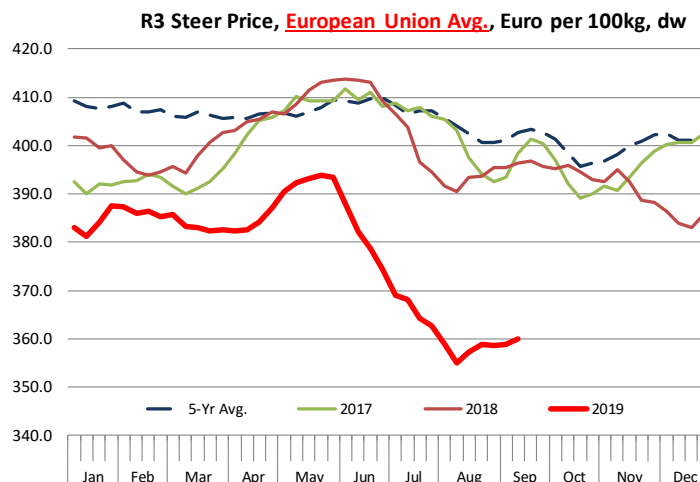
Asia / EU Market Update

European Union: Relationship between some cattle producer groups and meat processors has deteriorated in recent weeks, resulting in a sharp decline in Irish beef production. According to news reports about 80% of the slaughter capacity in Ireland has been affected by farmer blockades. Processors and producer groups were expected to meet in order to outline a way forward but those talks fell through as farmers were not willing to stop the blockades during negotiations. The effect of the current situation on output is quite clear from the chart below. In the last two weeks total Irish cattle slaughter has averaged around 10,800 head/wk, 72% lower than the same period a year ago. Since the beginning of August cattle slaughter has averaged 33% below year ago levels.

The current crisis of the Irish beef industry was precipitated by Brexit, the impact it has had on demand from the United Kingdom and potential risks that Irish beef faces should UK leave the EU without an agreement on trade and tariffs. Cattle prices came under significant pressure earlier in the year as processors lowered their bids for cattle given the uncertain market environment. More broadly, however, the current discontent reflects long simmering conflicts over efficiency, lack of markets for older cattle and the increased reliance on Britain as a key market for Irish beef.

Amidst all this uncertainty we noted a significant increase in US beef imports from Ireland in July. According to USDA total imports for the month were 514 MT and YTD imports from Ireland have surpassed 3,000 MT. Weekly data suggests that imports in August were well above 600 MT and we think September will also see imports from Ireland at 500 MT or higher. At this time we think total US beef imports from Ireland in 2019 may surpass 6,000 MT, more than double year ago levels.

China/Japan/S. Korea: Chinese beef imports were higher in August but the pace of growth slowed down somewhat, largely because of a decline in imports from Brazil. As we note in the Brazil section, we think the lower imports from Brazil are temporary. Chinese officials recently announced that they have approved 17 additional Brazilian beef plants for shipment to China. Total China imports in August were 130,532 MT, 31,889 MT or 32% higher than a year ago. Argentina, Australia and New Zealand accounted for the bulk of the increase. Imports



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

Source: China Customs

Import Partners	8/1/2018	8/1/2019	Y/Y MT	Y/Y %	Jan - Aug 2018	Jan - Aug 2019	Y/Y MT	Y/Y %
Brazil	33,821	20,712	(13,109)	-39%	189,914	200,624	10,710	6%
Uruguay	16,749	24,428	7,679	46%	141,604	193,148	51,544	36%
Argentina	16,985	32,173	15,188	89%	98,084	217,777	119,693	122%
Australia	16,239	24,993	8,754	54%	111,062	181,051	69,989	63%
New Zealand	11,924	22,532	10,608	89%	78,623	149,010	70,388	90%
Canada	604	26	(578)	-96%	4,001	9,949	5,948	149%
South Africa	450	-	(450)	-100%	3,290	1,873	(1,416)	-43%
Costa Rica	488	888	400	82%	3,150	6,525	3,375	107%
United States	536	947	412	77%	4,723	5,283	560	12%
Other	846	3,832	2,986	353%	(178,035)	(267,432)	(89,396)	50%
Total	98,643	130,532	31,889	32%	456,414	697,808	241,394	53%

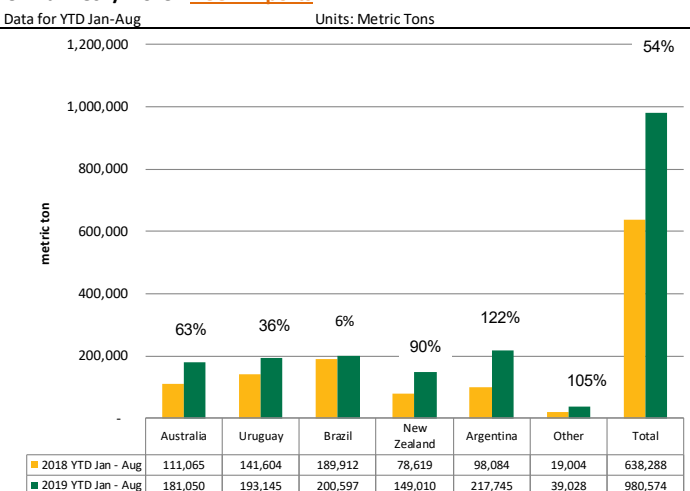
from Uruguay also are up but escalating prices in that market will continue to limit supply availability. In the last three months Chinese buyers have especially focused on the Oceania market. Imports from New Zealand in August were 22,532 MT, 89% higher than the previous year while imports from Australia at 24,993 MT were 54% higher than last year. African Swine Fever remains a significant concern for the Chinese government, especially with upcoming celebrations of the 70th anniversary of the Communist government and Chinese New Year in January 2020. Reports from the Chinese Ministry of Agriculture note that hog inventories are down by almost

Asia / EU Trade Statistics

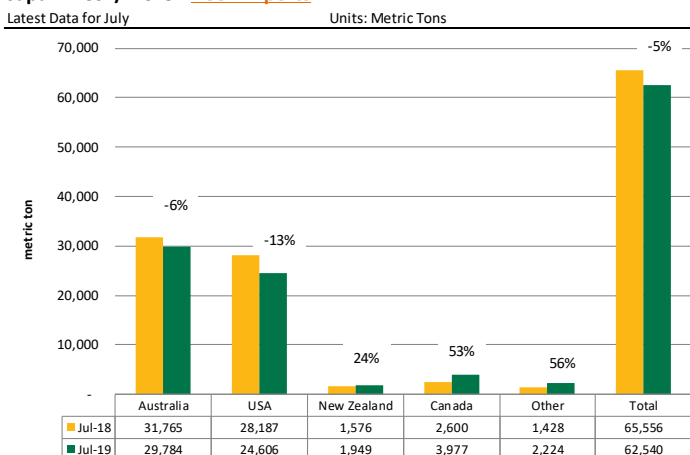
40% compared to a year ago while pork prices in some cases have doubled from where they were early this year. The shortfall in meat protein supplies is expected to underpin China beef demand in 2020.

Japan beef imports remain weak as changes in demographic trends continue to limit overall beef demand in the country. Imports of fresh/frozen beef in July were 62,540 MT, 5% lower than a year ago. Year to date imports are running 3% above last year's levels. Imports from Australia have struggled for much of the year, in part because more Australian beef is currently going to other markets, especially China. July imports from Australia at 29,784 MT were 6% lower than last year and for the year imports from this market were down 5%. Japan has offset the reduction in imports from Australia by buying more beef from Canada and New Zealand. Beef imports from Canada in July were 3,977 MT, 1,317 MT or 53% higher than a year ago. The increase almost offset the entire reduction in imports from Australia. For the year imports from Canada were 21,279 MT, 9,735 MT or 84% higher than last year. In contrast, imports from Australia during the Jan-Jul period declined by 9,850 MT. Canada is a signatory of the CPTPP agreement and therefore benefits from reduced tariffs in the Japanese market. We are currently forecasting total Japanese beef imports for the year to be about 5% higher than last year. This is a bit on the higher end of the range at this time. A trade deal between US and Japan will have little effect on US beef exports in the near term

China Fresh/Frozen Beef Imports



Japan Fresh/Frozen Beef Imports



Oceania Update

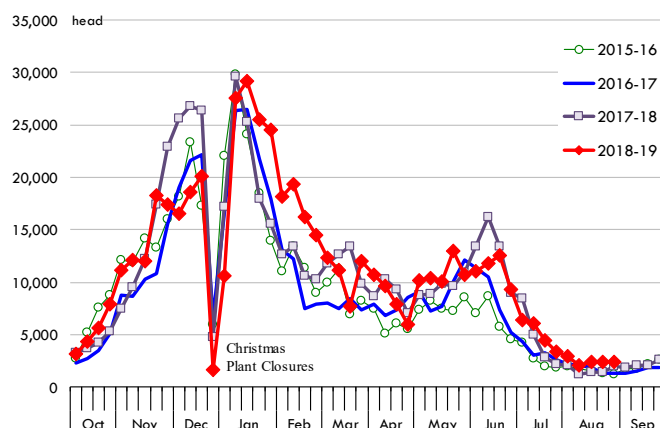
New Zealand: New Zealand slaughter hit seasonal lows in late July and early August but we do not expect to see slaughter volume increase significantly until late October. Overall slaughter is running higher than last year but despite the increase overall volume remains limited. In the four weeks ending August 31 New Zealand cattle slaughter averaged 24,153 head/wk, about 3900 head or 19% higher than a year ago. However, current slaughter is fairly close to the five year average for the period and the increase is relatively small in absolute terms. Bull slaughter is particularly light during this time of year. During the reference period bull slaughter averaged just 2,429 head/wk, 41% higher than the same period a year ago. While the increase looks quite dramatic, please note that we are comparing to especially light kills a year ago.

Australia: Australian beef exports have remained above year ago levels for much of this year as dry conditions push more cattle to slaughter. That trend has continued in recent weeks and we expect September exports will once again exceed last year's levels. The pace of exports will continue to be dictated by weather but also by ever shrinking inventory numbers. As we noted last month, producers have been liquidating a larger share of their female stock in recent months. In the short term that has supported overall beef production and exports but this is not sustainable longer term. In the four weeks ending September 20 Australian cattle slaughter averaged 149,193 head/wk, 4.7% higher than the same four week period a year ago. Slaughter in NSW during this period averaged 37,315 head/wk, 7.3% higher than last year while slaughter in Queensland at 79,913 head/wk was 4% higher.

Total Australian beef exports in August were 106,332 MT, 1% lower than a year ago. In the first eight months of the year, however, Australian exports have been 6% higher than last year's levels. At this time we think Australian beef exports in September are on track to reach 100,500 MT. If correct, this estimate would put shipments for the month up 10% compared to a year ago. Exports to the US market in August were 20,739 MT, 9.9% lower than a year ago. At this time exports to the US in September are expected to remain under 20,000 MT and near the same level that was shipped last year. China has emerged as one of the top markets for Australian beef in recent months. In August shipments to China were 26,061 MT, 80% higher than the previous year. We think

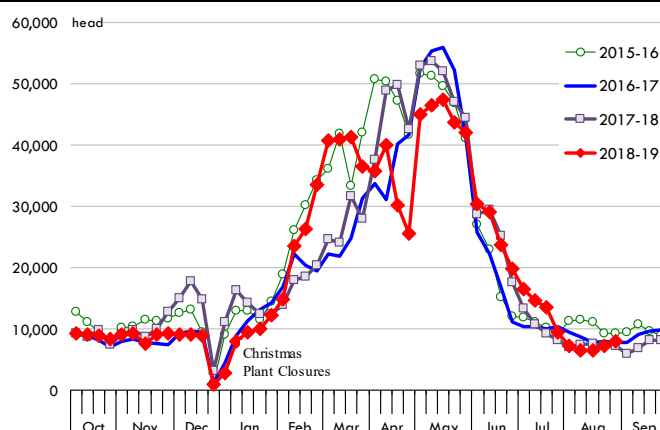
New Zealand Weekly Bull Slaughter

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



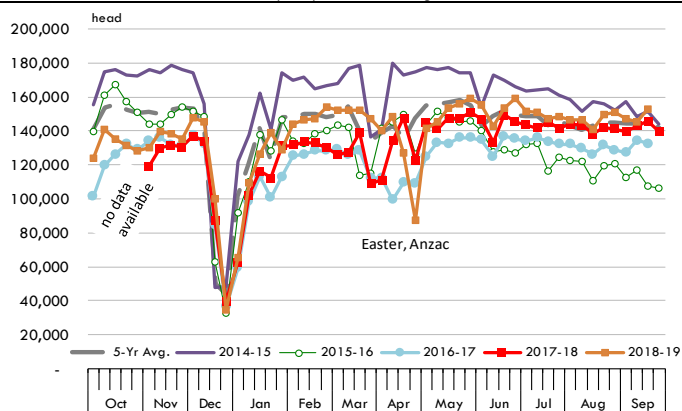
New Zealand Weekly Cow Slaughter

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



exports in September could be a bit lower but still as much as 70% higher than last year. Through August total Australian beef exports were up 41,592 MT or 6% com-

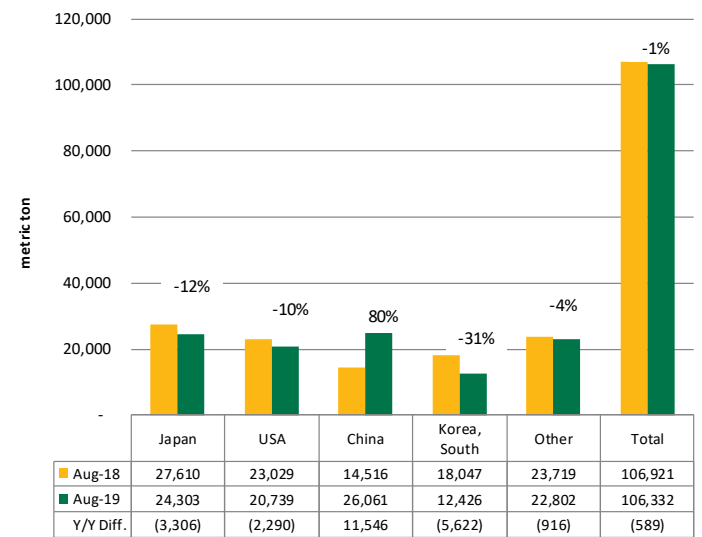
Oceania Statistics

pared to last year. Exports to the Chinese market during those eight months were 68,959 MT or 67% higher than a year ago.

Australia Fresh/Frozen Beef Exports

Latest Data for August

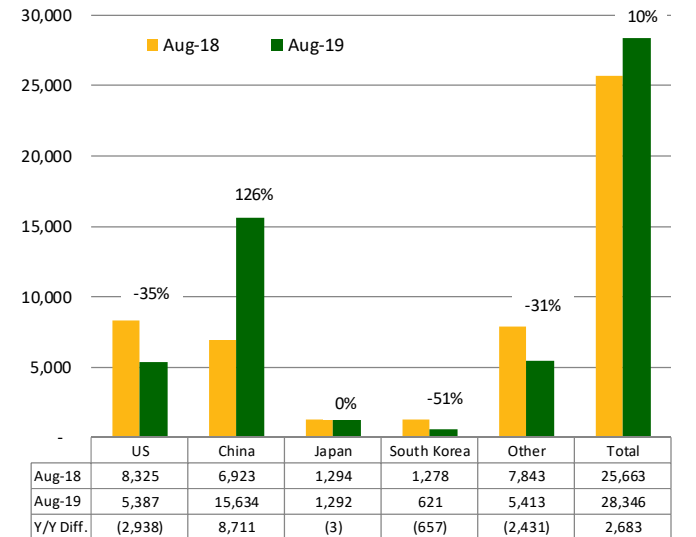
Units: Metric Tons



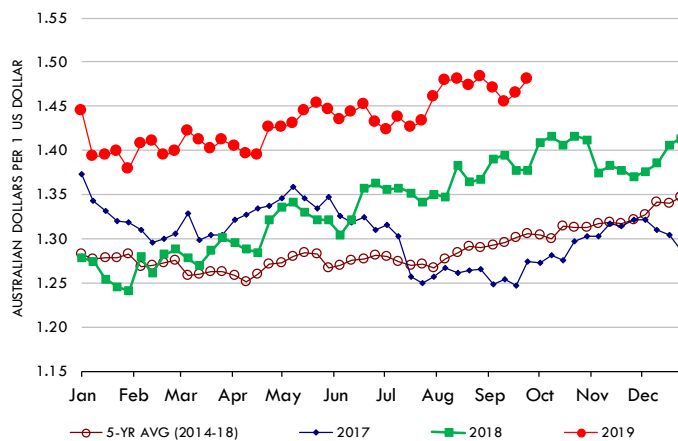
New Zealand Fresh/Frozen Beef Exports

Latest Data for August

Units: Metric Tons



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



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

