



Global beef market update

JULY 2024

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This report offers a comprehensive overview of the global beef market and Australia's position in it.

Summary

The year so far has seen a divergence in the global supply landscape.

Global beef exports from the US is likely to place significant pressure of supply for the remainder of 2024. The continual decline in North American beef production, which has been ongoing since at least January 2023, has now begun to materially affect global markets this year. On the other hand, relatively consistent demand in Japan, South Korea, and the US itself, will see competition increase for beef especially high quality and grain fed product. Higher Australian production in Australia will partially offset the supply gap, but not enough to compensate for a decline in US supply.

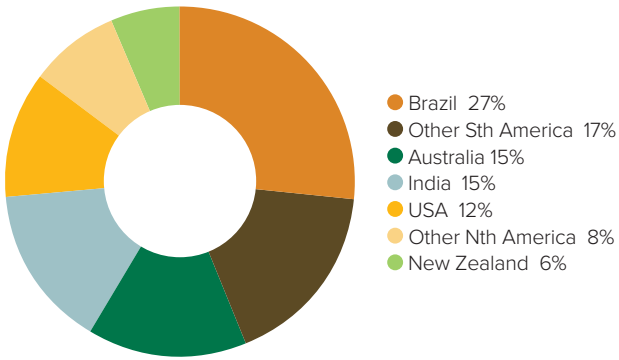
By contrast, in the short term, there is likely to be a surplus of beef among South American countries. Drought in South America has pushed slaughter rates up and condition down in Brazil and Argentina, increasing supply to record or near-record levels. Over 70% of South American beef exports usually go to China, so the sluggish pace of imports in the Chinese markets has depressed South American export pricing, and reduced processor profitability as cattle supply rises. This has led to a diversification in export markets, as South American exporters tap price-sensitive markets. Brazilian domestic consumption has lifted markedly for the first time in a decade, and exporters are now competing with India for market share.

From an Australian perspective, this is likely to be felt as a strong global market with high demand in most of our key markets all of which we have considerable market access advantages. The US was the largest export market for Australia in Q1, as Australian beef makes up for shortfalls in dairy cow slaughter, and as American production falls, exports are set to continue rising. At the same time, Australian market share for high quality beef in Japan and Korea will continue lifting as US exports fall, and strong Australian supply will go some way to making up the shortfall.

The key question for the rest of the year is the economic performance of China. The world's largest beef importer and second largest economy has seen a slowdown in key economic indicators, as well as below-trend consumer sentiment since mid-2022. This has impacted import pricing and has markedly slowed import volume growth. If export volumes into China begin to materially decline, it would accelerate the diversification of South American exports further and likely put considerable pressure on cattle prices.



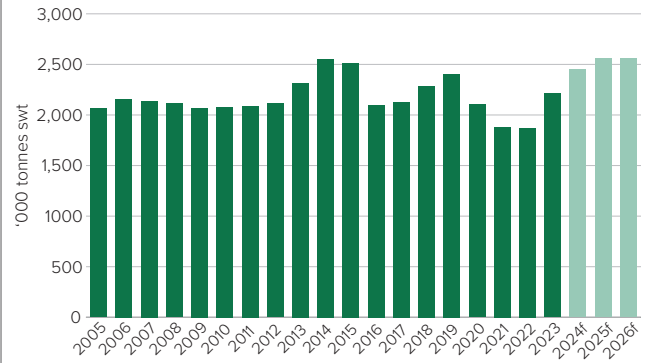
Q1 2024 exports



Total 2,757,000 tonnes cwe

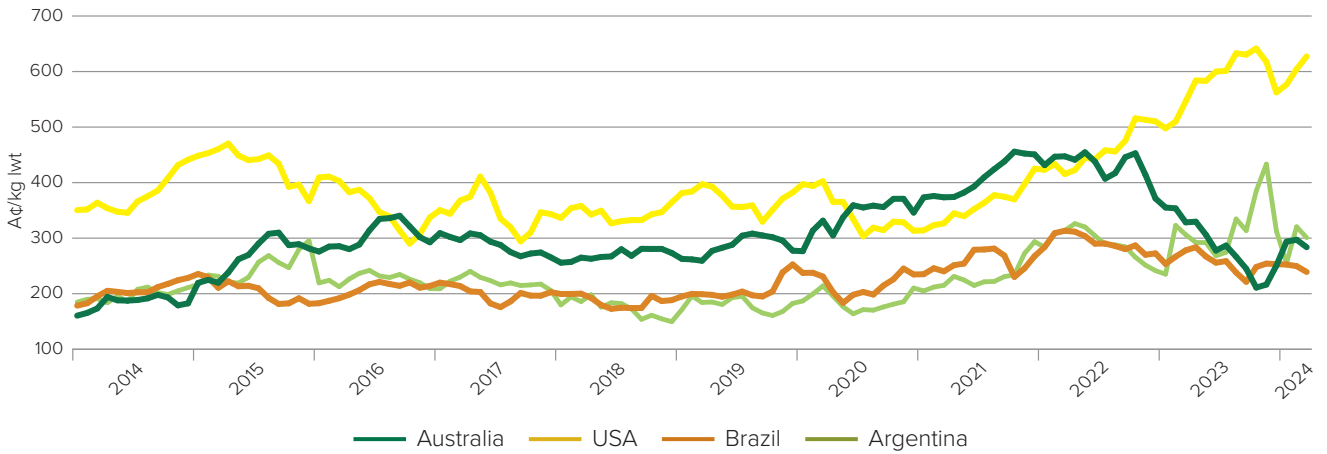
Source: ABS, MLA

Australian beef production forecast – volume



Source: ABS, MLA

Global heavy steer prices



Source: MLA, IPCVA, USDA, Steiner Consulting



Global economy

Macroeconomic conditions

	Australia		United States		China		Japan		Korea	
	Q1 2024	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q4 2023	Q1 2024	Q4 2023
Consumer confidence¹	-1.9%	-2.1%	-0.9%	-2.2%	-6.0%	-6.4%	-0.8%	-1.2%	0.1%	-0.2%
Currency/USD	\$1.53	\$1.56	\$1.00	\$1.00	¥7.22	¥7.09	¥115	¥141	¥1,345	¥1295
Long-term interest rate	4.45%	4.19%	4.02%	4.38%	2.43%	2.56%	0.73%	0.62%	3.39%	3.41%
Unemployment rate	3.87%	3.95%	3.80%	3.70%	N/A	N/A	2.60%	2.50%	2.80%	3.20%

Note: Value colors indicate improvement/decline from previous quarter. All values as of end of quarter.

Key economic indicators improved marginally over Q4, as supply shocks from the COVID-19 period and the Russian invasion of Ukraine continued to be processed by the global economy. In general, inflation, while high, has been easing somewhat in advanced economies, and consumer demand has been more robust than expected when faced with sharp rises in interest rates.

Consumer confidence

Consumer confidence remains below trend globally, but has shown steady improvements across advanced economies, while remaining subdued in China. Despite recent improvements in confidence in the United States it remains below long-run averages, as inflation remains well above post-GFC levels and concerns around an unstable geopolitical environment sour the future outlook among consumers.

Interestingly, consumer confidence has decoupled from actual behavior in some instances, as markets with relatively low consumer confidence see sustained consumer spending and investment. This has been especially true in the United States, where consumer behaviour is very much at odds with sentiment. The spending provisions in the Inflation Reduction Act, alongside other Government expenditure, have been having a marked effect in stimulating demand, keeping unemployment lower than it otherwise would be and keeping wage growth well above the post-2008 trend.

Confidence has been markedly lower in China than in other major economies, as a sluggish real estate market has impacted saving and investment rates. After a rapid decline in confidence in mid-2022, consumer sentiment in China has remained the worst of the major economies, with confidence sitting 8–10% lower than the long-term trend, and 15–20% below the 2016–18 period of very high confidence in China.

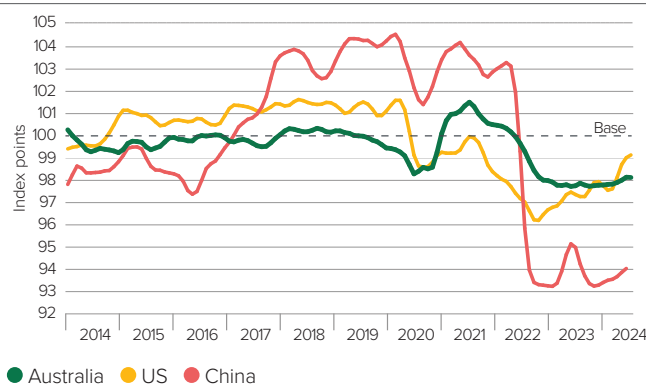
Currencies

Most currencies weakened against the USD over the quarter, as inflation has proven stickier than previously expected and the economic outlook has darkened somewhat.

The US dollar usually acts as a safe harbour for investors in risky environments, and comparatively high US bond (interest) rates have compounded this effect, causing the US dollar to appreciate against most other currencies. After a slight reversal towards the end of 2023, USD appreciated again in Q1 2024, gaining against all major currencies.

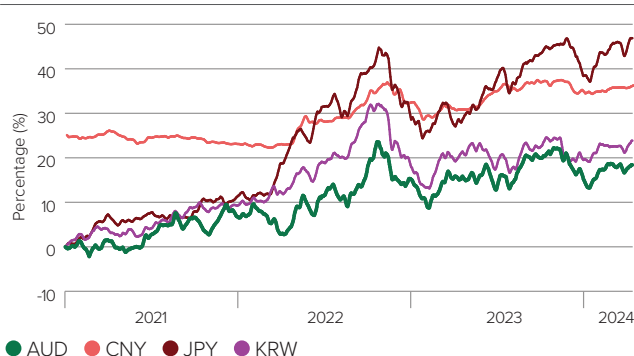
In particular, the Japanese Yen has markedly declined against the USD, as the Japanese balance of trade has declined and the Government is unable to raise interest rates due to high levels of public debt. This has decreased the purchasing power of Japanese consumers and increased the cost of imports.

OECD Consumer confidence index



Source: OECD

US dollar performance against other currencies



Source: XCED, MLA

¹Value shows variation from the long-term trend.



Interest rates

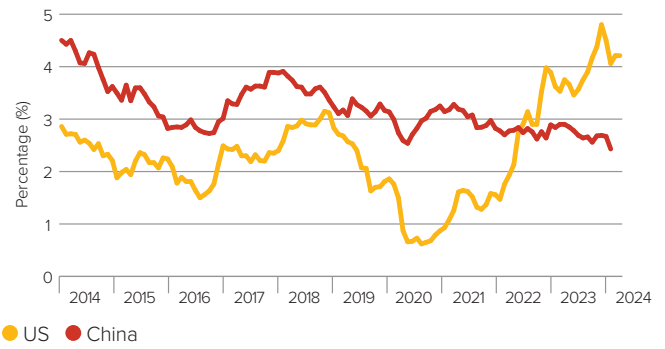
Interest rates have remained high in advanced economies, though rates have stopped rising and either eased slightly or held firm in most advanced economies. Inflation remains higher than the 2–3% target in most advanced economies, but has stabilized to an extent and has begun to recede in the United States, Australia and other advanced economies, though not in Europe, where the supply shocks from the Russian invasion of Ukraine were much more severe and where pre-pandemic economic growth was less strong to begin with.

Unemployment

Unemployment remains relatively low in advanced economies, generally below pre-pandemic levels despite higher interest rates and below-trend economic growth overall. Stable-to-falling inflation in the United States and Eurozone, solid consumption levels, and ageing populations in advanced economies have kept services demand robust and unemployment relatively low.

The exception to these dynamics is China, where interest rates are currently being cut and unemployment is likely well above trend. Chinese imports in Q1 2024 were sluggish, and the hoped-for post-COVID-19 bounce back in consumption has not occurred. It is currently unclear if the relatively slow performance of the Chinese economy is due to usual dynamics of the economic cycle or indicative of broader structural issues in the Chinese economy. However, it is clear that economic growth is below trend and prospects of a rapid recovery are remote, absent substantial government stimulus.

Long term interest rates



Source: OECD

Input prices

Key points:

Oil:

- Brent crude averaged US\$85.45/bbl in March, 2% above the Q4 2023 average and 9% above March 2023.
 - Wholesale diesel in Australia averaged A\$1.83/l during March, 8¢ above December 2023 and 6¢ below March 2023.
- #### Fertilisers:
- In March, global urea prices fell 14% from Q4 2023 but rose 5% from March 2023 to US\$330/mt.
 - Australian imports of urea cost A\$599/mt in March, 1% below December and 3% below March 2024.

Wheat:

- The IGC wheat sub-index ended March at 199, 25 points below the December average and 61 points below the March 2023 average.
- In Australia, Darling Downs SFW averaged A\$388/mt in March, 17% below December 2023 and 13% below March 2023.

Freight:

- The Freightos Baltic Index (FBI) averaged 2,917 points in March, 148% above December 2023 and 87% above March 2023.
- The AU/NZ component of the China Containerized Freight Index averaged 925 points in March 2024, 12% above the Q4 2023 average and 12% above the March 2023 average.
- The Global Supply Chain Pressure Index was -0.30 in March 2024, 0.16 points below December 2023 but 0.84 points above March 2023.

Global commodity price trends were mixed when compared to earlier in the year but were generally cheaper than prices in 2022 and early 2023.

In general, these price movements suggest that higher interest rates and above-trend inflation have reduced demand for commodities and brought prices back down to levels closer to long-run averages.

The ongoing Russian invasion of Ukraine continues to impact supply of grains, fertilisers and crude oil, but has also encouraged others to increase output – notably for oil, where high prices have pushed output to near-record highs in Q2 2023.

This has also squeezed consumer disposable incomes, depressing demand across the board, including for proteins.



Oil

Oil prices have come down from peaks in mid-2022, and in 2023 have stabilised in the US\$75–85/bbl range. Despite OPEC production cuts led by Saudi Arabia, record production from the United States has kept supply relatively stable and warm weather in the Northern hemisphere reduced energy demand over the northern winter.

Domestic petrol prices have also come down, though by less than the unrefined price. This is due in part of the falling exchange rate, which has made imported petrol more expensive in Australian dollars, but also because refined petroleum prices are generally less volatile than unrefined oil prices.

Fertiliser

Global fertiliser prices are closely tied to oil prices, and face many of the same supply constraints and dynamics. While prices have come down substantially from peaks in the first half of 2022, in many cases they remain well above trend, and globally traded volumes have reduced from pre-war norms.

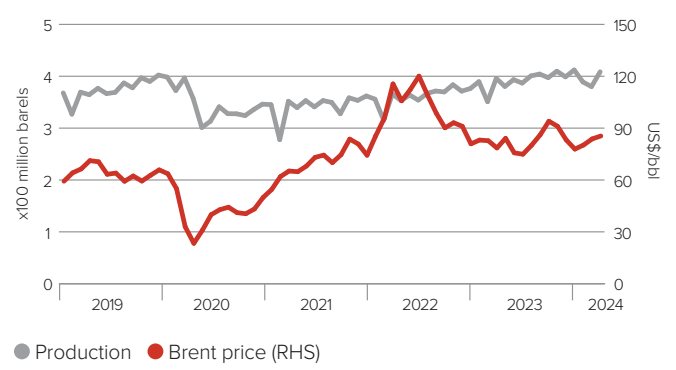
Wheat

Wheat prices have generally stabilized, albeit at higher levels than what was seen prior to the war in Ukraine. Strong harvests in the US, Europe and Australia have improved the supply picture compared to earlier forecasts, while Russian and Ukrainian exports of wheat have been maintained, despite the ongoing impacts of the war. In particular, Russian wheat exports have been very strong, and have added to global supplies, preventing the types of price spike usually seen in highly demand-inelastic goods like wheat.

Freight

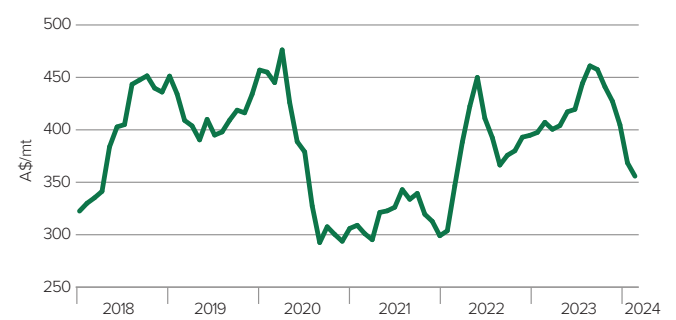
Freight costs lifted over the quarter, as the response of Houthi attacks on shipping through the red sea raised insurance costs and forced ships to circumvent the Suez Canal, increasing travel time and fuel costs. With that said, costs are still nowhere near as high as they were at the peak in 2022, and supply chain reliability, while deteriorating over the quarter, remains much more robust than it was during COVID-19.

US oil output and brent crude price



Source: US Energy Information Administration, World Bank

AU SF wheat ex. Darling Downs



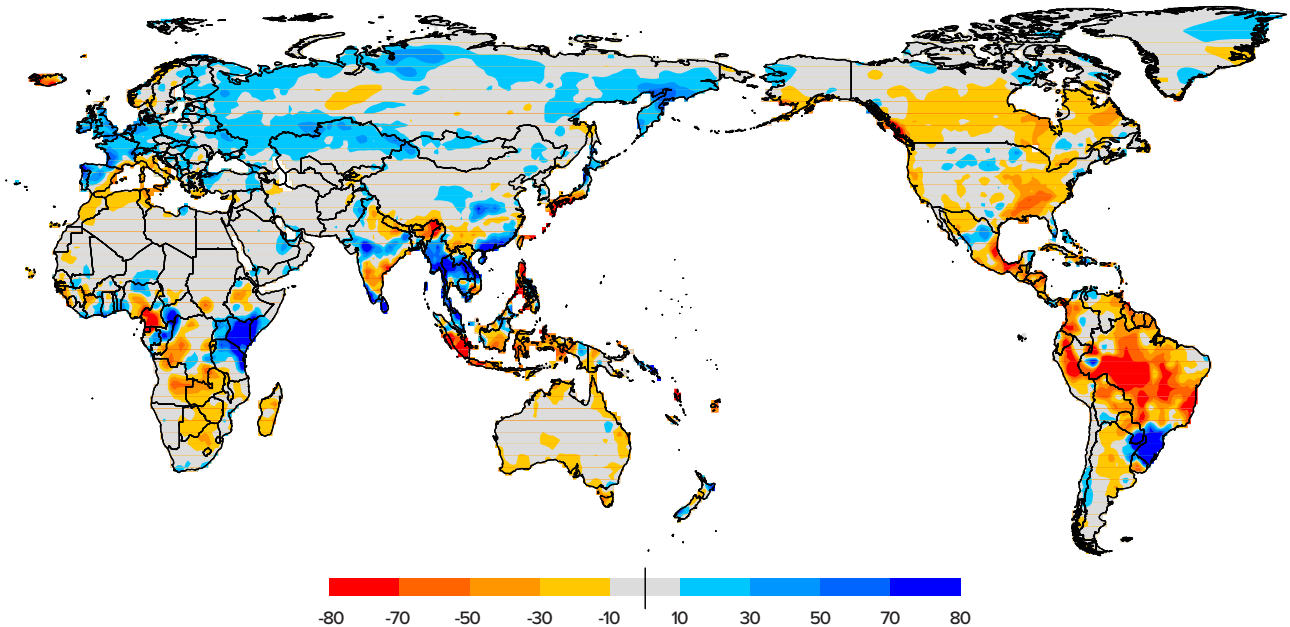
Source: Profarmer, MLA



Weather

The first three months of 2024 were mixed globally, with much higher-than-expected rainfall in Australia, lingering drought conditions in some parts of North America, above average rainfall across the Eurasian landmass and relatively intense droughts in parts of South America.

December 2023 – February 2024 precipitation: variation from normal seasonal levels



Source: Global Precipitation Climatology Centre (GPCP)

By region:

Africa

Africa saw continued dry conditions, following the hottest 2023 on record. Very low rainfall was seen in Madagascar, the Maghreb region West Africa, and in Southern Africa, concentrated around Zambia, Zimbabwe and Botswana. Slightly wetter conditions were seen in South Africa and parts of the Congo, though this followed low precipitation in those regions throughout most of 2023. El Nino driven dry conditions in the Horn of Africa and Zimbabwe led to failed crops, which have increased food insecurity across the continent. With the exception of the Nile Delta in Egypt, North Africa received well-below-average rainfall levels, which has affected crops and led to severe drawdowns of reservoirs.

Asia

Asia was generally wetter than average outside of Central Asia and Northern India, although there were instances of drought in Vietnam and parts of Malaysia. Much of the continent was hotter than average over the six months to March 2024, which increased evaporation and reduced soil moisture content, even when rainfall levels were in normal range. According to the India Drought Monitor, slightly over 26% of the country was in drought over March, which was a slight increase from February and still above long-run seasonal averages.

Australia

Conditions were dryer than normal across western Australia and near the coast in Queensland, while wetter than normal across the southeast. The weakening of El Nino conditions over the quarter has seen above average rainfall for much of the summer, though higher-than-expected evapotranspiration has led to dryer-than-expected soils in some parts of the southeast, and relatively low stream flows and water storage levels.



Europe

European precipitation was generally higher than average, with the exception of Southern Europe bordering the Mediterranean, which saw considerably hotter, drier conditions than normal. Despite this, soil moisture remains below average across most of the continent.

North America

North America saw marginally higher than average rainfall in the United States over the quarter, while much of the prairies in Canada remained substantially in drought. Despite this, over a 12-month timeframe much of North America remained drier than average, including most of the key cattle producing areas of Central US. Normal to above average rainfall in the US represented an improvement from the very dry conditions seen in 2021–22, but remained dry compared to historic averages and did not allow for meaningful recovery of vegetation across much of the grazing country throughout central North America.

South America

South America saw drier weather across much of the continent, especially in Central Brazil but also in Northern Argentina, Venezuela and Peru. Much of Brazil was declared in drought, with much of Matto Grosso and Matto Grosso de Sul in severe drought. While remaining severe across much of the continent, conditions improved slightly over the quarter, and rainfall in Eastern Brazil and Southeast Argentina allowed for some degree of recovery for standing vegetation in those regions.

Major producers

Australia

Slaughter

- Australian adult cattle slaughter for Q1 2024 was 1.85 million head, 17% above Q1 2023.
- Male slaughter lifted 8% YoY to 959,156 head, while female slaughter lifted 30% YoY to 852,175 head.
- The Australian female slaughter rate (FSR) in Q1 2024 was 47.0%, while the FSR for the 12 months to March 2024 was 47.7%.

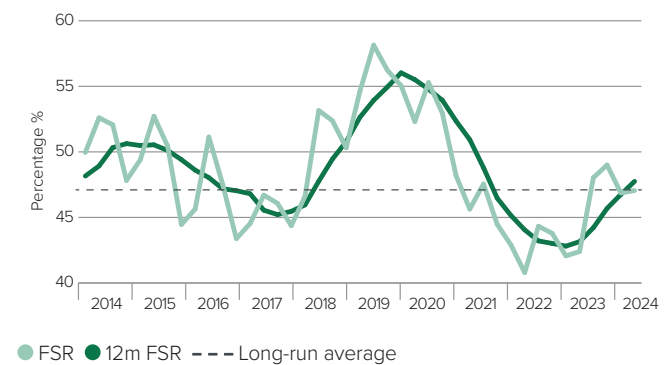
Slaughter has continued to rise in 2024 at a similar pace to 2023. Overall, 2023 slaughter rose by 20% compared to 2022.

Cattle slaughter has continued to lift in the first quarter of 2024, making Q1 2024 the first period where cattle slaughter sat above the long-run average in four years. Despite the impressive lift in numbers, the female slaughter rate² remains close to the historic average of 47%, and calf slaughter remains well below long-term averages.

After a sharp increase in female slaughter over the middle of last year in response to a rapid deterioration in pasture condition across the east coast, the past six months have seen slaughter numbers (and cattle prices) settle down into patterns that look more like the result of a mature herd producing more processor-ready cattle than a destock.

Fears of a dry, El Nino-driven summer did not eventuate, with rain levels at or above historic averages across most of the east coast, and well above average in the north, leading to flooding in some cases. Western Australia was the exception to this, with rain well below historic norms across most of the west coast, and a slightly more robust lift in slaughter.

Australian FSR: 2014–2024



Source: ABS, MLA

² The Female Slaughter Rate (FSR) is a technical leading indicator of herd expansion/destocking, calculated by dividing cow + heifer slaughter by total adult slaughter.



Carcase weights

- Adult cattle carcase weights in Q1 2024 were 315kg cwt, 1.8kg above Q4 2023 and 8kg below Q1 2023.
- Male carcase weights in Q1 2024 were 345kg cwt, 2.6kg above Q4 2023 and 6kg below Q1 2023.
- Female carcase weights in Q1 2024 were 281kg cwt, 1.1kg above Q4 2023 but 3.6kg below Q1 2023.

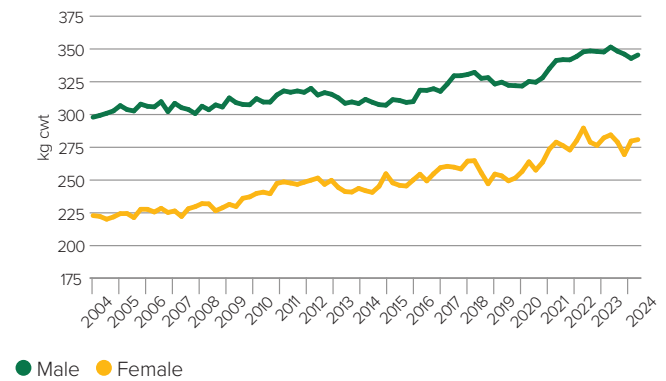
Carcase weights generally lifted in Q4 2023 from the end of 2023 but remained below the levels seen in Q1 2023 and the peaks seen in 2022.

Male carcase weights recovered slightly from Q4 2023 levels but remained below the record 351kg in the first quarter of 2023. This is partially due to the large increase in grassfed turnoff; which meant that heavier grainfed cattle made up a smaller percentage of total turnoff, which pushed the average down. Additionally, although seasonal conditions were generally positive over the quarter, they were not as strong as the start of 2023, encouraging producers to turn off steers at slightly lighter weights.

By contrast, female carcase weights have remained more consistent over the past year and saw smaller shifts. The elevated turnoff of lighter cows in the middle of last year has eased, and feed availability supports the higher cow carcase weights at slaughter.

Despite this, female carcase weights were still 3.6kg lighter in Q1 2024 than in Q1 2023, as the end of the intensive rebuild period now means that female slaughter is generally higher, and better availability of feeder steers has reduced the number of heifers in feedlots.

Carcase weights by sex, 2004–2024



Source: ABS, MLA

Lot feeding

- 1.36 million head of cattle were on feed in Q1 2024, up 5% from Q4 2023 and the highest figure on record.
- Grainfed cattle turnoff made up 42% of total slaughter, above the 36% seen in Q4 2023 but below the 43% in Q1 2023.
- Feedlot utilisation rates improved from 81% in Q4 2023 to 85% in Q1 2024.

Numbers on feed reached yet another peak in Q1 2024, continuing the trend of growth that we have seen over the past several years. Despite this, there was a slight dip in feedlot capacity in NSW and Western Australia, though increases in the other states meant that overall feedlot capacity remained steady at 1.59 million head.

Turnoff also lifted, rising by 14% from last quarter and 15% from this time last year to 762,000 head. While a considerable lift, this is a smaller year-on-year increase than overall slaughter, pushing the grainfed % of turnoff down slightly. This is to be expected, given the stability generally exhibited in grainfed turnoff, and suggests that increased demand and higher feedlot capacity have driven the long-run lift in turnoff, while an increase in cattle supply and fall in prices have driven the increase in the short term.

For more information on the Australian lot feeding Industry, click here ◀



Markets

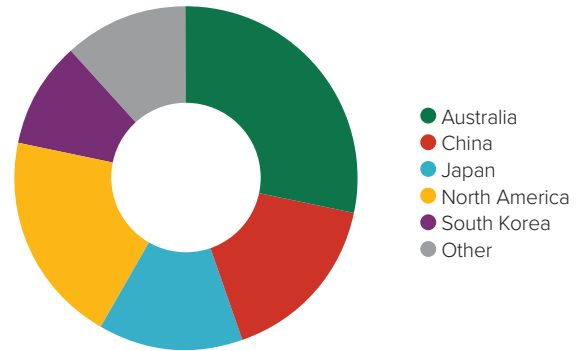
- Australia produced 570,681 tonnes of beef and veal in Q1 2024, 1% less than Q4 2024 and 15% more than Q1 2021.
- Of this, 379,38mt cwe were exported, 10% less than Q4 2023 but 25% more than Q1 2023.
- Domestic consumption was 162,182mt cwe, 25% higher than Q4 2024 but 6% lower than Q1 2023.
- After the domestic market, the largest export market in the quarter was North America, followed by Japan, Greater China and South Korea.

The increase in slaughter, alongside reasonably consistent carcass weights, has led to an increase in production.

The domestic market remains the largest market and was the end destination of 28% of Australian production in Q1 2024. Outside of Australia's domestic market, exports developed as follows:

- North America remained the largest export market for Australian beef in the quarter, with exports growing by 86% from Q1 2023 to 104,797 tonnes cwe.
- Exports to Japan rose 25% year-on-year to 85,581 tonnes cwe.
- Exports to Greater China rose 9% year-on-year to 73,569 tonnes cwe.
- Exports to South Korea fell by 8% year-on-year to 53,612 tonnes cwe.
- Exports to all other markets rose by 17% year-on-year to 61,821 tonnes cwe.

Distribution by market – Volume



Source: ABS, DAFF, MLA

Both grassfed and grainfed exports grew, but grassfed exports grew substantially more; grainfed exports increased by 7% from Q1 2023 to 115,834 tonnes cwe, while grassfed exports grew by 29% to 263,546 tonnes. In general, grainfed export volumes are considerably less variable compared to total production, while grassfed exports, which are relatively more exposed to variance in the cattle cycle, would be expected to increase more as production increases.

More information on export flows is available in Major importers section (page 21).

Cattle prices

- The Heavy Steer indicator averaged 284¢/kg lwt in March 2024, 44¢ higher than December last year.
- The Processor Cow indicator averaged 223¢/kg lwt in March 2024, 25¢ higher than December.

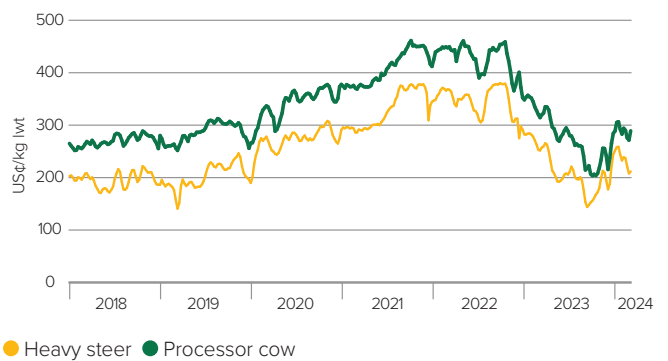
Saleyard cattle prices have traded in a relatively narrow band over the quarter, a marked change from the volatility seen in 2023. After a rapid recovery in prices between October 2023 and January 2024, the Heavy Steer Indicator has largely kept between 250–300¢/kg lwt, even as indicator throughput has lifted substantially. Prices have generally moved sideways so far in 2024, with prices remaining well below the peaks seen in 2022, but also well above the lows of 2023.

Consistent, relatively high supply in the processor end of the market at saleyards has been met with solid, though not massive, weekly slaughter numbers.

Much of the market appeared to be in a holding pattern over the quarter, and the type of signals that would usually drive shifts in the market have not occurred. While seasonal conditions have been strong on the east coast and a La Nina watch has been declared by the Bureau of Meteorology, there hasn't been the type of substantial shift in weather conditions to move the market. In the same fashion, there is no sign of restocking among the US herd despite falling slaughter rates, though exports to the US have lifted substantially.

All of this, combined with stable market sentiment, have meant that prices held within a limited range over the first quarter of 2024.

Australian saleyard cattle prices, 2018–2024



Source: MLA's NLRS



Live cattle export

- Live export numbers fell by 25% from last quarter but lifted by 24.5% from Q1 2023 to 149,071 head in Q1 2024.
- Indonesia remained the largest market for live cattle, with exports rising 10% from Q1 2023 to 77,440 head.
- The largest increase in live export numbers was in Vietnam, where exports rose 113% from Q1 2023 to 23,747 head.

Live cattle exports continued to rise in Q1, as greater availability of cattle and more favorable pricing made Australian cattle more attractive to overseas buyers. Despite previous pressures that led trade partners to seek cheaper alternatives, the current prices, coupled with high quality and consistent supply, have reinstated importer confidence in importing Australian cattle.

The increase in live export numbers to Indonesia is especially impactful given the later-than-usual granting of export certificates impacting export numbers in January and February. Exports in March were 77% above year-ago levels, and made up 80% of the quarters' exports. Given the rapid lift in exports to Indonesia after export licenses were granted, prospects for the rest of the year look very strong.

Exports remain limited to a small set of markets; numbers to Indonesia made up 51% of total exports, and exports to China and cumulatively made up another 38% of exports over the quarter.

New Zealand

Slaughter

- Adult cattle slaughter fell 2% from Q1 2023 to 744,761 head.
- Cow carcase weights lifted 1.2kg from Q1 2023 to 198kg, while steer carcase weights rose 8.1kg to 322kg.
- Heifers made up 37% of adult female slaughter in the 12 months to March 2024, well above the average of 34%.

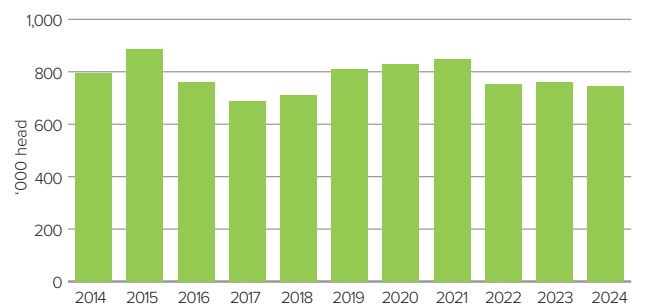
New Zealand production continued the slight downward trend seen since the middle of last year, with a modest decline in slaughter and a slight increase in carcase weights leading to a very minor decline in overall production.

There was a marked split between the north and south islands. In the North, drier conditions and lower feed led to a slight lift in slaughter. Notably, North Island cow slaughter lifted by 5% year-on-year while bull slaughter fell by 7% year on year. By contrast, overall cattle slaughter on the South Island fell by 8% from last year, driven primarily by a 14% decline in cow slaughter numbers. As the South Island only made up 33% of slaughter for the quarter, the relatively large decrease in slaughter only had a muted effect on total production.

Carcase weights have lifted substantially from year-ago levels; export-graded steer weights lifted by 8kg to 323kg from Q1 last year, while export graded heifers lifted 2.5kg to 256kg.

As New Zealand's herd is largely geared towards processed, export-oriented dairy production, slightly higher farmgate milk prices have improved producer confidence and likely driven South Island cow retention, especially given conditions are fairly good in the South. With that said, the overall pace of slaughter remains quite robust, and farmgate milk prices remain quite muted compared to levels seen in 2021 and 2022, even if they are above the lows seen in 2023.

New Zealand Q1 cattle slaughter



Source: Stats NZ



Exports

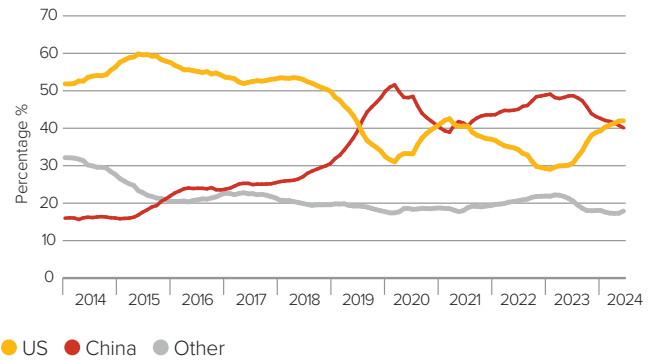
- New Zealand exported 173,289mt cwe of beef in Q1 2024, 10% more than Q4 2023 and 1% more than Q1 2023.
- The United States overtook China as the largest market for NZ beef, while exports to Japan continued to grow.

Beef exports from New Zealand retained the robust pace of 2023, lifting 1% from an already-high Q1 2023 export figure. This was driven in large part by a relatively weak exchange rate improving competitiveness internationally, alongside strong demand from the United States for manufacturing beef, which New Zealand’s dairy-dominant production system is well-positioned for.

Given that, exports to the US overtook China as the largest market. Exports to the US lifted 11% YoY to 66,702mt cwe, while exports to China eased 14% to 62,481mt cwe. This was matched by a marked shift in export prices; exports to the USA rose by 16¢ to US\$5.31/kg, while prices to China slipped 60¢ to US\$4.48/kg.

Together, the US and China account for 75% of NZ’s exports. Outside of those, exports to Japan lifted 37% YoY to 11,474mt cwe, following a trend of steadily increasing exports to Japan. This means that 2024 saw the strongest Q1 to Japan since 2011, when trade flows were disrupted by the lingering effects of the BSE-driven trade disruptions between the US and Japan.

New Zealand export split



Source: Trade Data Monitor, MLA

United States

Slaughter

- American cattle slaughter in Q1 2024 was 7.85 million head, 6% below Q1 2023 and 1% below the ten-year average.
- The US FSR in 2023 was 51.3%, slightly below 2023 and well above the long-run average of 47%, indicating the US cattle herd is still destocking.

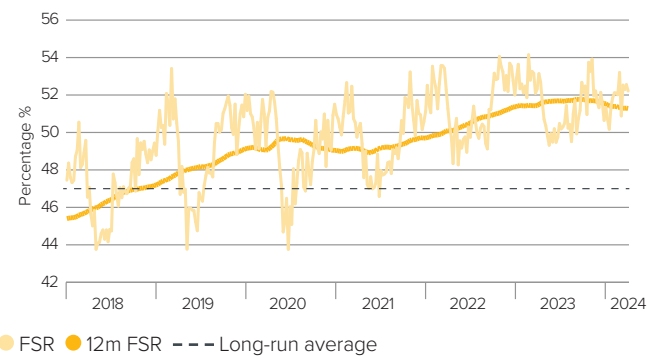
Although cattle slaughter has come down from very high levels in 2022, it remains higher than expected and the female slaughter rate (FSR) remains stubbornly high, suggesting that the herd is still destocking.

Despite this, in Q1 2024 there were clear signals that the destock is slowing down and the herd may be closer to a rebuild. Adult female slaughter eased by 8% from last year, while steer and bull slaughter fell by a much smaller 3%. Around 73% of the drop in total slaughter came from female cattle, and though the quarterly FSR remained above 47%, it was down substantially from last year.

On 1 January, the US cattle herd reached a 72-year low, 87.2 million head. The length and severity of the destock has had an effect on supply, which has in turn pushed up cattle prices. This has created an incentive for producers to continue selling cattle, even in instances where rebuilding may be possible, which has helped to keep slaughter higher than expected, and prolonged the destock.

Additionally, US-based weather forecasters and representative groups have begun warning of a potential La Nina weather event in 2024, which would reduce stocking capacity and necessitate further elevated turnoff. The implications of that outlook, especially given the relatively limited pasture recovery seen over the past year, alongside high sale prices, have helped to keep slaughter higher than expected, and likely keep the herd in a technical destock over the coming months.

USA FSR: 2018–2024



Source: USDA, Steiner Consulting, MLA



Exports

- The US exported 317,436mt cwe of beef in Q1 2024, 2% more than Q4 2023 and 6% less than Q1 2023.
- Prices lifted by US\$1.10 from last year to an average of US\$9.22/kg, as chilled exports made up a larger portion of the total.
- Korea remained the largest overseas market for the US, receiving 23% of exports, followed by Japan (22%) and China (16%).

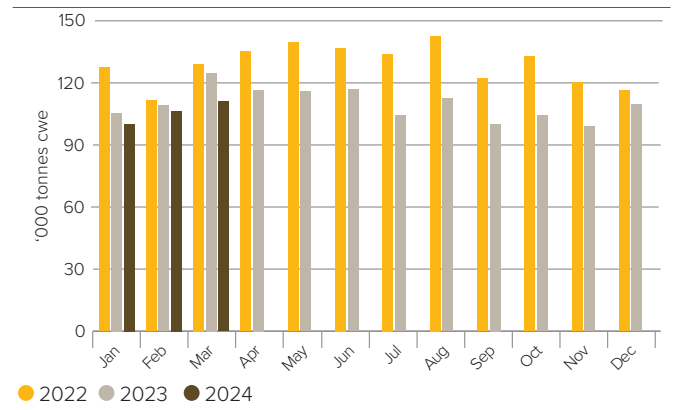
Stronger than expected supply and steady demand from East Asia have kept US beef exports relatively strong, though volumes did decline in Q1.

Exports to North Asian markets fell compared to Q1 2023, though exports to Japan did lift substantially compared to Q4 2023, and the only major market to see an increase in exports was Mexico, where exports lifted 11% from year ago levels to 38,520mt cwe from last year.

All in all, US beef exports are maintaining the steady downward trend seen throughout 2023. Despite remaining above expectations, volumes are now down 14% from Q1 2022, and market share continues to shrink.

American exports are likely to continue to decline in 2024 and 2025. With a historically small herd, any rebuild is likely to take years, and will substantially reduce the amount of beef available in the global market during that time.

USA exports by month



Source: Trade data monitor, MLA

Cattle and beef prices

- American Fed Steer index reached an all-time high of US416¢/kg lwt in March, and averaged US392¢/kg lwt over the quarter.
- The cutter cow price also reached an all-time high of US498¢/kg cwt in March, and averaged US394¢/kg cwt over the quarter.
- Choice grade beef cost US\$17.90/kg at retail in March 2024, 6% more than March 2023.

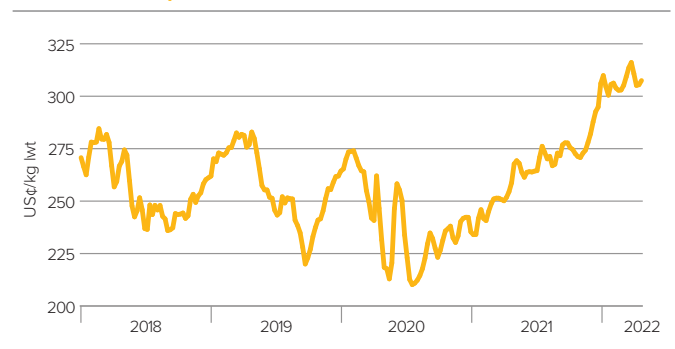
The ongoing American herd destock has reduced the availability of cattle for processors, pushing the sale price up for producers and feedlotters.

US fed steer values reached an all-time peak in March, as processors looked to cover summer demand, while the supply of live cattle continues to decline.

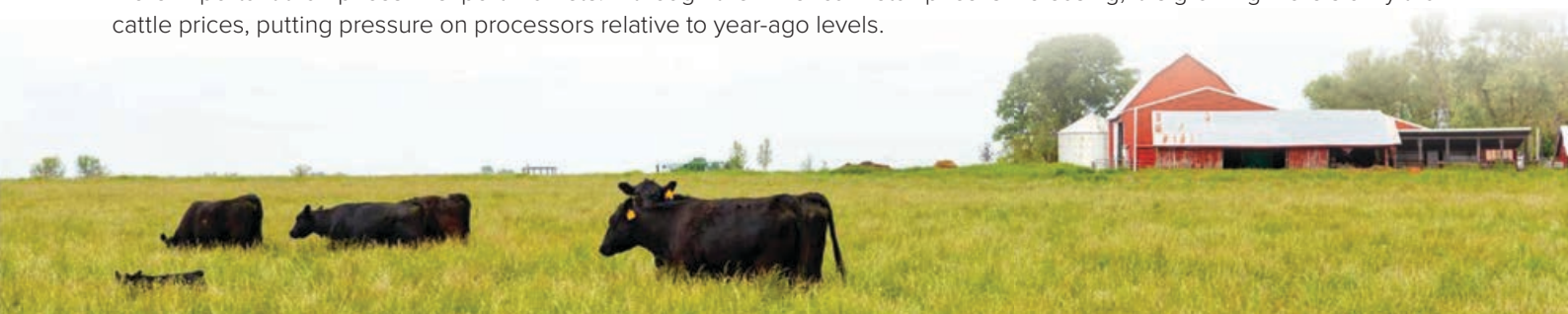
This dynamic was even more apparent in cutter cow prices, which rose 36% between December 2023 and the end of March 2024. The decline in cow slaughter, especially dairy cows, has substantially reduced the amount of grinding meat available for mince. While this has had a marked impact on beef imports, it has also pushed the price of cutter cows and other non-graded carcasses up past previous records.

Since most American production is focused on serving the domestic market, increases in the retail price of beef are arguably more important than prices in export markets. Although the American retail price is increasing, it is growing more slowly than cattle prices, putting pressure on processors relative to year-ago levels.

US fed steer price 2018–2024



Source: USDA, Steiner Consulting



Imports

- US beef imports totaled 504,949mt cwe in Q1 2024, 21% more than Q4 2023 and 28% higher than Q1 2023.
- Canada was the largest exporter, Followed by Australia, Brazil, New Zealand and Mexico.
- Frozen beef imports lifted 42% YoY over the quarter, while chilled imports lifted 14%.

US beef imports continue to rise substantially as American production continues to decline. While other North American exporters continued to make up the plurality of imports, declines in Mexican exports and the general increase in imports meant that Canadian and Mexican import market share fell from 49% in 2023 to 40% in Q1 2024.

The largest increase in exports came from Australia, where volumes lifted 118% YoY in Q1 to 104,631mt cwt, remaining the second-biggest beef supplier to the US market after Canada. Exports from New Zealand also lifted, but by substantially less: 32% YoY for the quarter to 73,827mt cwe.

Imports from Brazil lifted substantially to 74,263 mt cwe, 40% above Q1 2023. This was almost entirely due to the opening of the American 'all other countries' 50,000 tonne tariff-free quota, and exports immediately fell once the quota was filled; exports in January and February totalled 61,546mt cwe, while exports in March (largely after the quota was filled) only reached 12,717mt cwe.

Domestic consumption

- Estimated domestic consumption in Q1 2024 remained stable from year-ago levels at 3.15 million tonnes.
- In March, beef in cold storage lifted 6% from the end of Q4 2023 but fell 12% from March 2023 to 207,881mt cwe.

Domestic consumption volumes remained strong in the first quarter of 2024, remaining high despite an increase in beef prices.

The March Meat Demand Monitor results show a strong willingness to pay for beef products among consumers at retail, a slight lift in willingness to pay at foodservice over the quarter.

Economic performance in the US remains much stronger than expected, with unemployment remaining below 4% despite the sharp lift in interest rates and notably low consumer confidence.

In general, strong economic performance encourages spending in discretionary categories like foodservice, driving up willingness to pay.

Demand for plant-based meat replacement products continued to decline, with willingness to pay at retail falling below ground beef, despite a significantly higher retail price point.

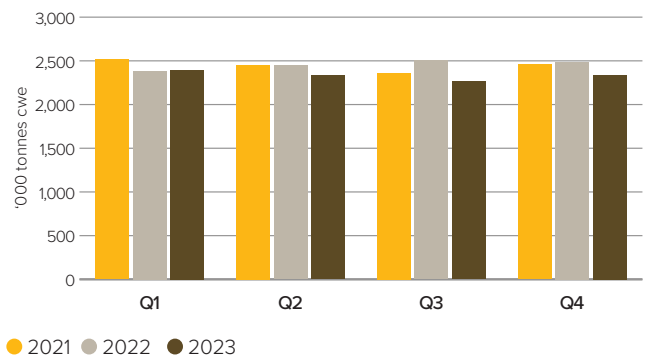
Cold stores of beef continued to shrink, falling to 196,301 tonnes at the start of April. This is the smallest April stockpile since 2014, at the bottom of the previous cattle cycle, and the speed of decline has been much faster this year than in the past.

US beef net trade balance (exports - imports): 2014–2024



Source: Trade Data Monitor, USDA, M

US domestic consumption



Source: USDA



Canada

Slaughter

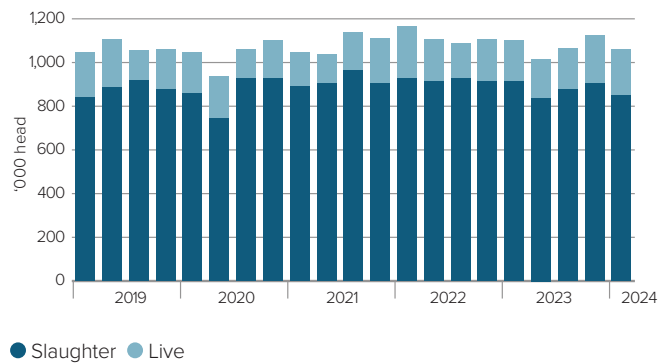
- Canadian total turnoff was 1.06 million head in Q1 2024, 4% below Q1 2023.
- Slaughter eased by 6.5% YoY to 807,000 for the quarter, while live export lifted 10% to 208,000 head.
- The stock turnoff rate (STR) for the 12 months to March 2024 was 37%, above the Canadian long-term average of 33.6%, suggesting that the Canadian herd is currently in a destock.

Although Canadian slaughter eased from year-ago levels in the first quarter of 2024, strong demand for feeder cattle to the United States pushed live export volumes well above usual levels. When combined with a diminished herd after several years of destocking, this led to an above-trend stock turnoff rate despite lower overall turnoff.

A relatively weak Canadian dollar, alongside strong demand for cattle from American feedlots and suboptimal pasture conditions in the prairies have elevated turnoff; although the stock turnoff rate was below 2023 levels, indicating that herd dynamics in Canada are similar to those of the United States, with a slowly easing destock and substantially depleted herd size.

The cattle herd on 1 January was 11.1 million head, 2% lower than the start of 2023 and the lowest levels since 1989. This was matched by a decline in breeding stock; in particular, a 3% decline in calf numbers suggests that cattle supply in the medium term will continue to be restricted, even if seasonal conditions improve and the Canadian herd enters a rebuilding period.

Canadian turn-off by type



Source: Statistics Canada

Trade

- Canadian beef exports for Q1 2024 totaled 157,677mt cwe, 1% lower than Q4 2023 and 10% more than Q1 2023.
- Beef imports were 51,364mt cwe, 6% lower than Q4 2023 and 19% higher than Q1 2023.
- The USA was both Canada's largest export market and import supplier.

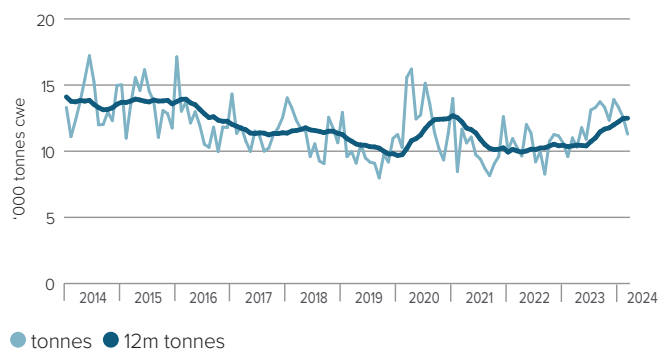
Canadian exports lifted robustly from the first quarter of 2023, the United States remained Canada's largest export market by far, making up 82% of total exports and lifting 13% from last year to 128,677 tonnes cwe for the quarter. After the US, exports to Japan lifted 12% to 10,858 tonnes cwe, part of a long-term trend of increased exports into the Japanese market. Canadian beef continues to gain market share in Japan, admittedly from a very low base.

Total imports also increased to 51,364 tonnes cwe. As Canadian cattle slaughter has declined, beef demand has remained much more consistent, driving the lift in imports.

Imports from the USA fell by 6% year-on-year to 18,110 tonnes cwe, in keeping with the decline in US supply. Despite this, US imports still made up 35% of total supply, and were the largest trading partner.

After the US, Uruguay, Australia and New Zealand were the largest suppliers. Of those, Australia saw the largest rise, with imports lifting 88% year-on-year to 6,435 tonnes cwe. This was the largest Q1 import figure from Australia since 2018, when the Canadian herd was deep into a herd rebuild. This time, this increase in imports has come as the Canadian herd is still destocking, though the rate of destocking appears to be slowing.

Canadian beef imports



Source: Trade Data Monitor



Brazil

- Brazilian cattle slaughter in Q1 2024 was 9.3 million head, 24% above Q1 2023.
- The Brazilian FSR for the 12 months to March 2024 was 42%, above the long-run average of 39% and suggesting the Brazilian herd is currently in a destocking period.

Brazilian slaughter has been steadily increasing since late 2021, with slaughter increasing steadily throughout 2023 and increasing substantially in the first quarter of 2024.

In Q4, Brazil was close to the bottom of the cattle cycle. Relatively weak calf prices have discouraged breeding, and El Nino has led to relatively dry conditions in key pastoral areas in the country's west.

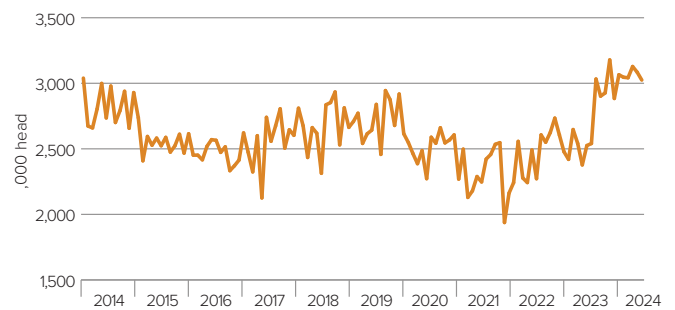
This has pushed slaughter numbers up, but depressed carcass weights. Total slaughter for 2023 was the second highest on record, after 2013, and total production was the highest on record, as carcass weights lifted substantially between 2013 and 2021.

In the first quarter of 2024, slaughter remained high and the destock continued; male slaughter lifted by 18%, while female slaughter lifted by 27%.

Hot and dry conditions intensified in the interior of the country, and vegetation cover across most of the country was in historically poor health. There was a relative improvement in drought conditions across the East and Southeast in March, while in the key grazing areas of Matto Grosso and Matto Grosso de Sul there was an intensification of drought conditions. This is pushing slaughter rates relatively close to processor capacity; in Matto Grosso slaughter reached 76% of capacity in Q1 2024, compared to 63% across 2023.

Slaughter numbers are unlikely to fall before substantial rain improves the drought conditions seen across most of the country.

Brazil monthly slaughter 2014–2024



Source: IBGE

Exports

- Brazil exported 742,041 tonnes cwe Q1 2024, 10% less than Q4 2023 but 28% more than Q1 2023.
- Export beef unit prices have eased 6% from Q1 2023 to US\$4.53/kg, due to a general easing of demand.
- China remained the largest overseas market for Brazil, importing 51% of exports, followed by the United Arab Emirates (8%), and the United States (7%).

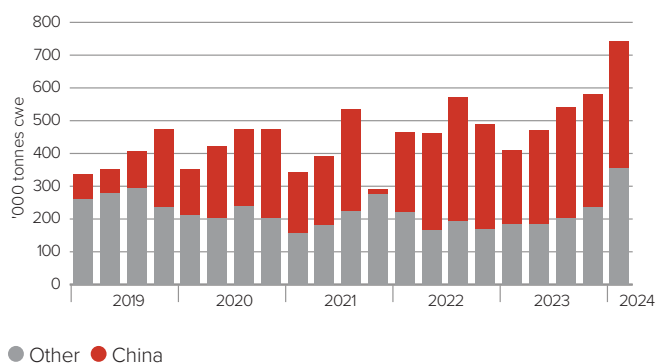
Brazilian export volumes lifted strongly in Q1 compared to year-ago levels, as a combination of high slaughter and improved market access conditions created a favorable environment for export volumes.

China remained the largest market, with exports lifting 21% in year-on-year terms. In 2023, an atypical case of BSE halted exports to China over February and March, and the lack of a similar disruption allowed for an increase in trade.

The Brazil-China beef trade remains the largest bilateral beef trade flow in the world, but subdued demand from China pushed export prices lower; export prices to China were 10% down compared to year-ago levels, which effectively dragged unit pricing down overall.

Exports to the United Arab Emirates lifted 285% year-on-year in Q1 to 57,026 tonnes cwe, becoming the second-largest market for Brazilian beef for the first time. Exports to the United States remained firm, lifting 17% year-on-year to 49,750 tonnes cwe, while economic troubles in Egypt saw a continuation of the slide in imports, declining 25% year-on-year to 18,973 tonnes.

Brazil exports by market 2019–2024



Source: Trade Data Monitor, MLA



Cattle prices

- The Brazilian Boi Gordo (heavy male) indicator ended March 2024 at US\$3.09/kg cwt, 14¢ below the Q4 2023 average and 57¢ below the Q1 2023 average.
- Male calf prices ended March 2024 at US\$412/head, US\$7 below the Q4 2023 average and US\$47 below the Q1 2023 average.

Cattle prices eased over the quarter as poor on-farm conditions led to high turnoff and lower restocking rates. The Boi Gordo (finished steer) indicator eased by 11% over the quarter, reversing most of the gains seen towards the end of 2023, as processors had ample supply and demand from export markets was relatively stable. Live cattle futures suggest that prices will remain stable or lift slightly over the coming months, but not rise close to the local peak seen in late last year, or to the all-time peaks seen in 2022.

The informal premium for cattle well-suited to the China export trade (often referred to as the 'Boi China') has been easing, as import demand from that market has continued to soften.

Restocker prices fell by less than the finished end of the market, but still fell by 4% over the quarter. Ongoing, severe droughts, combined with extremely volatile input costs, have impacted profitability and carrying capacity on-farm. While large scale investments are still being made in the industry over the long term, in the short term a challenging financial environment for producers is leading to decreased profitability and lower prices for cattle.

Brazil Boi Gordo price 2019–2024



Source: ESALQ

Argentina

Slaughter

- Argentine cattle slaughter in Q1 2024 was 3.3 million head, 6% below Q4 2023 and 8% below Q1 2023.
- The FSR in the 12 months to March 2024 was 48%, above the long-run average of 45%, indicating the Argentine cattle herd is still destocking.

Cattle slaughter eased in Q1 2023, but numbers remained above the long-run average and the female slaughter rate suggests an ongoing destock is occurring in the herd. Argentina has been destocking for several years, as hot and dry conditions have affected feed availability. Although slaughter remains above the long-term average, the slight decline suggests that the intensity of the destock is waning and that rebuilding is likely to commence later in 2024.

Fertilizers and other imported inputs remain expensive, which has impacted productivity on-farm for many producers. Rapid inflation has made financial planning difficult, and capital investment has been challenging in an illiquid capital environment. On the other hand, labour availability has been improved by poor economic conditions, and the total cost of processing has anecdotally held even, or dropped slightly.

As carcase weights remained relatively consistent from last year, the decline in slaughter has translated to a 7.5% decline in production from last year to 745,768mt cwe.

Exports

- Beef exports totaled 258,783mt cwe in Q1 2024, 16% more than Q4 2023 and 23% more than Q1 2023.
- China was the largest market for Argentine beef with a market share of 78%, followed by Israel, Germany and the US.
- Average export prices dropped by 44¢ from last year to US\$3.75/kg.

A change in Government has led to a drastic removal of export controls implemented by the previous administration. As such, export volumes lifted in a remarkable fashion, despite the decline in production. The 258,783mt cwe figure made this quarter the largest on record, and February and March were the largest and second largest single months on record, despite Q1 usually being a slow period in Argentine beef exports.



China remained the largest market for beef exports, with volumes lifting 27% YoY to 201,432mt cwe. This came with a 40¢ decline in prices to US\$2.86/kg, and was mostly driven by the removal of the export controls rather than a shift in the underlying supply or demand balance. Exports to other major Argentine markets remained relatively muted; exports to Israel lifted by 3% YoY to 17,678mt cwe while exports to Germany held steady at 8,086 mt cwe.

The substantial rise in exports, alongside reasonably consistent production, has obviously affected domestic consumption. According to Cámara de la Carne de Argentina, Argentine beef consumption in Q1 2024 fell by 18% from last year to 30-year lows.

Cattle prices

- Export steer prices ended March at US\$3.71/kg cwt, 20¢ below the Q4 2023 average and 52¢ below the Q1 2023 average.
- Manufacturing cow prices ended March at US\$1.90/kg cwt, 80¢ below the Q4 2023 average and 61¢ below the Q4 2023 average.

Argentinian cattle prices were less volatile in Q1 than seen at the end of last year, but drifted downwards in March after reasonably strong performance over January and February.

A Government-led effort to 'unify' the Argentine peso, which has in practice led to currency devaluations, contributed to the decline in cattle prices in US dollar terms. Despite this, the removal in export controls contributed to strong processor demand, at a time when a smaller herd is seeing a decline in slaughter.

Steer prices performed somewhat better than cow prices, as the ongoing destock encourages cow slaughter while availability of steers continues to slide.

Despite this, continued economic volatility and high inflation continue to add to the cost of processing, which remains a drag on the industry more broadly and restrains cattle prices.

Argentina export steer 2018–2024



Source: IPCVA

European Union

Slaughter

Note: Complete data only available up to February 2024.

- EU cattle slaughter for Q1 2024 was estimated at 4.1 million head, 2% below Q4 2023 but 2% above Q1 2023.
- Adult male carcass weights in February lifted by 1kg year-on-year to 366kg cwt, while adult female carcass weights remained flat at 311kg cwt.
- France was the largest beef producer in the EU for the quarter, followed by Germany, Poland and Ireland.

Cattle slaughter lifted slightly when compared to year-ago levels, in contrast to the general trend of declining slaughter seen throughout 2023. There was a notable rise in slaughter in Spain and Portugal, as hot weather and drought conditions caused an aggressive destock of cattle in the Iberian peninsula.

Elsewhere, the lift in slaughter was relatively consistent, and both the female slaughter rate and stock turnoff ratio remained above historic averages, suggesting that the decline in European cattle herds remains ongoing.

Despite the relatively strong Q1 production figures, the European Commission's short term agricultural outlook is forecasting a 2.3% decline in beef production, as low cattle numbers continue to drive a structural shift in production downward.

The European cattle herd shrunk by 1% in 2023 to 73.8 million head. The cattle herd has shrunk every year since 2016, and since that previous peak has declined by 7%, or 5.8 million head. This decline has been consistent across the continent, with every mainland European state's herd shrinking in 2023 (Cyprus and Malta were the only EU states to see marginal herd expansion).

The decline in herd size has actually meant that the stock turnoff ratio (STR) has remained relatively constant in 2023 at 22.3% – close to the long-run average. With that said, as the EU cattle herd has been in structural decline for over a decade now, an STR close to average is likely indicative of continued herd decline.



Trade

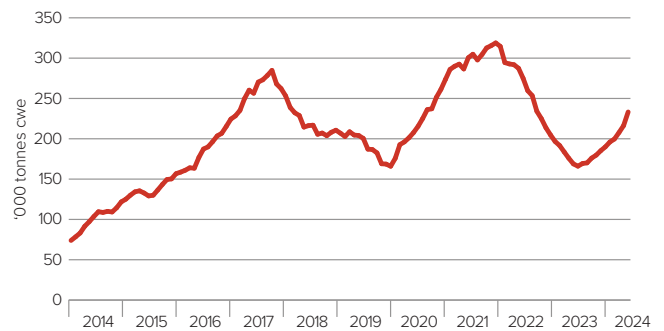
- In Q1 2024, the EU exported 152,292mt cwe of beef, 5% more than Q4 2023 and 24% more than Q1 2023.
- EU imports totaled 84,191mt cwe of beef over the quarter, 3% lower than the previous quarter and 5% more than Q1 2023.
- On average, EU exports over the quarter were valued at US\$6.57/kg, while imports were valued at US\$9.00/kg.

EU trade flows were relatively unchanged in Q4 2023, with both imports and exports lifting slightly as EU trade continues to adapt to the disruptions caused by the Russian invasion of Ukraine. Exports were largely to nearby countries; exports to the UK made up 50% of total exports, while Turkey, Bosnia and Herzegovina, and Algeria rounded out the top four export markets, all markets that do not require passage through the Suez Canal and are quite geographically proximate to the EU.

Imports lifted slightly, but in general remained consistent with trade flows seen in 2023; imports from Uruguay lifted, while imports from Argentina and Brazil eased, leaving total imports from Mercosur (South American free trade area) roughly flat, imports from the UK also fell in year-on-year terms, and imports from the USA, Australia and New Zealand all lifted slightly.

The only notable lift in imports was seen from Namibia, from which imports rose 70% year-on-year to 2,596 tonnes cwe over the quarter. Although a small figure in and of itself, the Livestock and Livestock Products Board of Namibia (LLPBM) has been making a concerted effort to improve market access through a range of biosecurity-focused programs, so the lift in exports signals an increase in export capacity to an extent.

EU beef net trade balance (exports - imports) 2014–2024



Source: Trade Data Monitor, MLA

Cattle prices

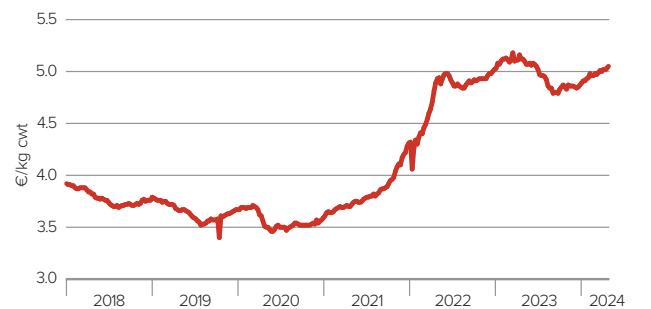
- EU Steers rose 10¢ over Q1 2024 to end at €5.18/kg cwt, 4¢ below March 2023.
- Cow prices rose by 28¢ over the quarter to €4.09/kg cwt, 27¢ below March 2023.
- Of the major cattle producers, Italy, France and Spain saw premiums over the EU average while Ireland, Poland and Germany were below the EU average for the quarter.

EU cattle prices remained firm over Q1, with steer and bull prices rising slightly over the quarter and inching closer to the all-time peaks seen in early 2023.

Cattle prices have remained relatively stable since mid-2022, with adult male cattle trading at around €5/kg cwt. This has held true so far in 2024, with prices inching upwards above the €5/kg mark as cattle supply dropped while demand held firm.

Cow prices have been more volatile, and the rise in prices seen so far in 2024 has largely been the reverse of price declines seen throughout 2023. Although European herds are still destocking, the slight lift in processor demand has been enough to generate a lift in prices.

EU male cattle price 2018–24



Source: Eurostat

In general, prices remain relatively consistent across the continent, with prices in major producing countries rarely varying from the EU total price by more than 10%. In general, the major producers tended to run at a slight premium to the EU average overall, but the overall trend of national prices converging on the EU market average price continues.



United Kingdom

Slaughter

- UK cattle slaughter in Q1 2024 was 683,436 head, 3% below Q4 2023 and 2% above Q1 2023.
- Steer carcase weights rose by 1.2kg from last year to 360kg in Q1.
- The FSR for the 12 months to March 2024 was 53.5%, slightly above the 10-year average of 52.8%, suggesting that the UK cattle herd is currently in a mild destock.

UK beef production lifted by 2% from last year in Q1. This lift was largely due to an increase in heifer slaughter, which rose by 5% from last year to 220,355 head, while other prime cattle categories remained relatively stable. Carcase weights remained stable overall, though the elevated heifer slaughter led to a slight decline in weights among heifers. Relatively high calf and heifer slaughter point to lower cattle supply in the medium term, but total production is likely to be supported by elevated steer slaughter.

The UK cattle herd shrunk by 1.8% in 2023 to 9.2 million head, with the breeding herd declining by 2.2% to 3.2 million head. While this points to lower production in the longer term, rising use of sexed semen in dairy cow inseminations has reduced the number of bulls and steers with pure dairy cattle genetics, and pushed more young steers into the beef supply chain. This shift is likely to support prime cattle slaughter in the medium term, keeping carcase weights relatively firm and supporting steer slaughter even as the breeding herd continues to contract.

Trade

- The UK exported 35,045mt cwe of beef in Q1 2024, 4% less than Q4 2023 but 4% more than Q1 2023.
- Beef imports totaled 84,206mt cwe in Q1, 6% more than Q4 2023 and 16% more than Q1 2023.
- Export prices eased to US\$7.20/kg, 30¢ below year-ago levels.

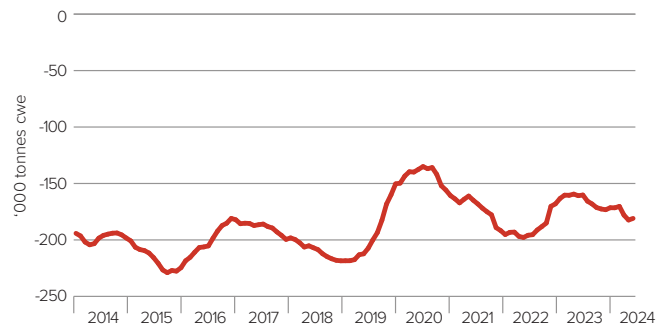
UK trade lifted at both ends in Q1, as strong growth in smaller markets spurred a lift in exports while strong supply (mostly from Ireland) drove a concurrent increase in imports.

Exports remained relatively steady but did rise by 4% year-on-year despite a 15% decline in exports to Ireland, the UK's largest export market. Exports to Hong Kong lifted 82% from last year to 2,011mt cwe and exports to Canada lifted tenfold to 921 tonnes, as strong Irish beef supply drove a slight diversification of British exports.

Beef imports rose substantially, off the back of a large lift in Irish supply and strong increases from New Zealand and Australia. Considering net trade balance, the proportionally larger increase in imports meant that the UK's trade balance was more firmly negative than it was in 2023, but given strong domestic production, this points to an increase in domestic consumption as inflation began to moderate somewhat over the quarter.

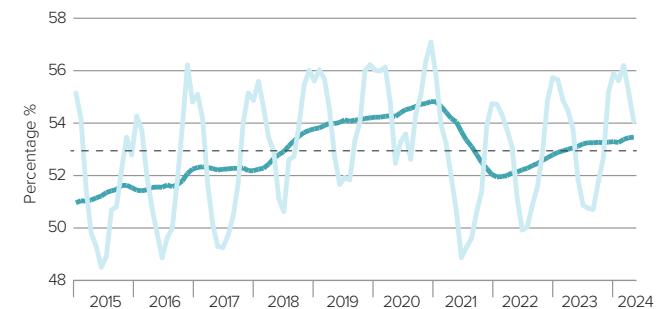
Market access remains problematic for UK exporters, with somewhat limited FTA-level market access and lingering phytosanitary import restrictions from the period when classical BSE was in the UK cattle herd. The suspension of FTA talks between the UK and Canadian governments in January 2024 was a setback to greater market access, but the opening round of negotiations between the UK and South Korean Governments in November 2023 represented a potential avenue for expanded market access into a large beef market.

UK trade balance 2015–2024



Source: Trade Data Monitor, MLA

UK FSR 2015–2024



Source: DEFRA, MLA



Cattle and beef prices

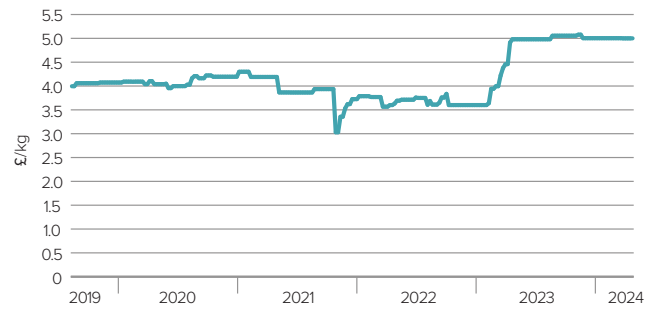
- Deadweight steer prices were 494p/kg cwt in March, 8p higher than December 2023 and 8p higher than March 2023.
- Beef mince cost £5.00/kg at retail in March, unchanged from December 2023 and 54p higher than March 2023.

Cattle prices generally held firm in Q1, as strong domestic beef demand and a smaller herd held prime cattle prices near historic highs. Heifer, bull, and steer prices all held close to the record prices seen in July 2023, and all saw increases quarter-on-quarter and year-on-year.

The exception to this was seen in cull cow prices, which lifted substantially over the quarter and have generally been much more volatile than other deadweight cattle prices. This was in large part due to a general seasonal effect, as cow prices tend to rise over the first half of the year, and led to prices ending the quarter in a similar position to the middle of 2023.

Retail beef prices appear to have stabilised after a rapid increase in late 2022 and early 2023, with rump, mince, and roast beef prices largely unchanged since April 2023.

UK retail beef prices 2019–2022



Source: AHDB

India

Exports

- Indian buffalo meat (IBM) exports in Q1 2024 fell by 10% from Q4 2023 and rose by 8% from Q1 2023 to 414,023 mt cwe.
- Malaysia was the largest market for IBM in Q1, followed by Vietnam and Egypt.
- The average export price in Q1 was US\$3.16/kg, 42¢ above Q1 2023.

Indian buffalo meat exports have been a major beneficiary of the increase in Brazilian exports to China, and the effects of that shift in trading flows continue to play out in global markets.

Prior to 2019, Brazil was the major beef exporter to a range of price-conscious markets that did not have the strict FMD-related phytosanitary restrictions that traditional Australian markets like Japan and South Korea had. The rise of China as the world's largest beef importer largely diverted Brazilian product from those markets into China, leaving a gap which has been largely filled by IBM.

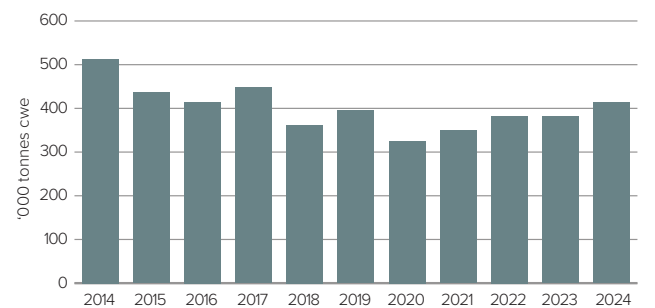
Indian Buffalo Meat tends to set the global commodity-grade price floor for bovine meat, and the increase in exports from India has seen Indian market share rise dramatically where market access concerns don't hamper access.

Malaysia overtook Vietnam as the largest market for IBM in Q1, with exports to Malaysia lifting 12% from last year to 86,070mt cwe. In general, either Vietnam or Malaysia will be the largest market for IBM in any given quarter, with demand for animal protein growing quickly in both markets, especially among a rapidly growing number of very price-sensitive consumers who will accept IBM as an alternative to beef.

The largest increase in exports came from the Middle East, where a wide variety of markets saw substantial increases in exports. Volumes to Egypt and Iraq lifted by 36% and 50% respectively to become India's third and fourth largest export markets. Egypt and Iraq are both middle-income countries with growing populations, relatively low median incomes, and difficulties in maintaining US dollar reserves with which to engage in international trade, so competitively priced IBM exports are well placed to meet protein demand. Somewhat more surprising is a large increase in exports to the UAE and Saudi Arabia, which became India's fifth and sixth largest export markets and are substantially wealthier on a per-capita basis than any of the aforementioned countries.

Of the major bovine meat exporters, India has the most diversified export mix. The top four export markets only made up 63% of total exports in Q1 2024, and the top ten largest export markets only made up 88% of total exports. However, several of India's largest markets are somewhat unstable, so volumes have tended to swing substantially quarter-to-quarter and year-to-year.

Q1 Indian buffalo meat exports 2014–2024



Source: Trade Data Monitor, MLA



Major importers

Japan

Slaughter

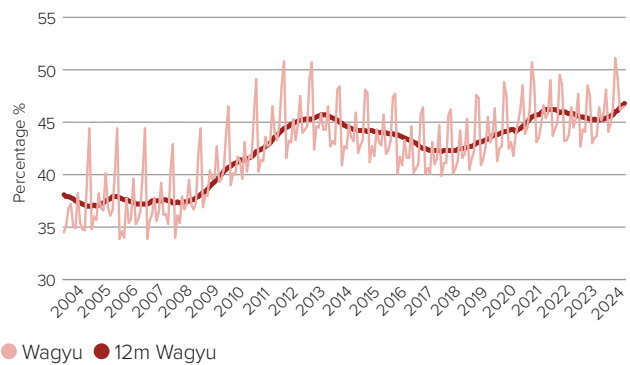
- Japanese adult cattle slaughter in Q1 2024 was unchanged from Q1 2023 at 258,689 head.
- Dairy breed slaughter fell by 8% from last year to 75,801 head, while Wagyu slaughter lifted 6% from last year to 119,972 head.
- The female slaughter rate for the 12 months to March 2024 was 50%, above the long-run average of 47%, suggesting that the Japanese herd is currently in a destock.

Cattle slaughter in Japan remained consistent from last year in the first quarter of 2024, but the composition of slaughter continued to shift towards Wagyu and mixed cattle. Low milk prices over the past several years have led to elevated turnoff in the Japanese dairy herd, as producers destock or leave the industry entirely, which has led to higher-than-usual dairy cow slaughter. In Q1, slightly higher milk prices and the ongoing effect of destocking led to an 8% decline in dairy breed slaughter to the lowest point on record.

By contrast, Wagyu cattle slaughter lifted 6% from Q1 2023 to 119,972 head, the highest Q1 slaughter number since 2002. Increased demand for Wagyu beef, especially in overseas markets, has led to herd expansion, which is now beginning to translate into higher slaughter.

As such, Wagyu cattle made up 47% of total adult cattle slaughter in the 12 months to March, the highest figure on record, even as overall slaughter remained consistent with 2023.

Wagyu proportion of slaughter



Source: ALIC, MLA

Imports

- In Q1 2024, Japan imported 158,703mt cwe of beef, 3% above Q4 and 2% below Q1 2023.
- Import prices in March were 9¢/kg lower than March 2023 in USD terms, though prices were 80¥/kg higher in yen terms.
- Australian market share lifted from 35% last year to 46%, while American market share fell from 43% to 39%.

While remaining one of the largest beef importers in the world, Japanese imports of beef had the slowest start to the year since the first quarter of 2016.

There were three main reasons for this fall in imports. Firstly, lower production in the United States has an outsized impact on American export volumes (for more information, see the Major Producers – United States section), meaning that Japanese imports of American beef declined by 22% from Q1 2023. This was partially compensated for by a 31% year-on-year increase in Australian imports as production increased, but the aggregate effect was to reduce the total volume of beef available in global markets, which heavily impacted Japanese trade flows.

This meant that Australian market share increased at the expense of American beef, regaining the position as the largest supplier of beef to Japan.

The second reason is related to exchange rates. Continued weakness in the Yen has reduced the spending power of Japanese consumers. This has two effects.

Firstly, it directly increases the price of imported beef, which translates into lower margins in retailers and foodservice and higher prices for consumers.

US - Japan exchange rate 2018–2024



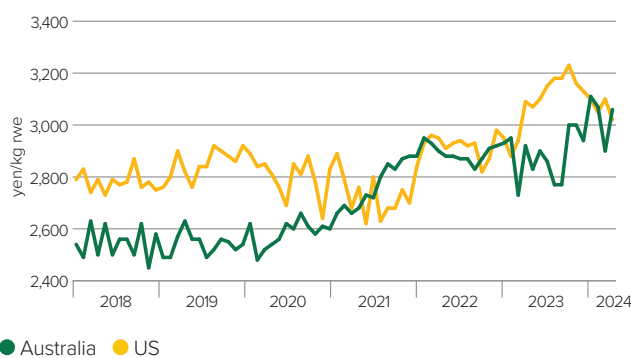
Source: XCED, MLA



Secondly, it increases the price of all other imported products, which includes fuel, inputs for electricity production, other imported foodstuffs, and other essentials. This reduces the discretionary income of Japanese consumers, which has affected beef consumption and demand.

Finally, at the end of 2022, stocks of beef in cold storage had reached record levels, as beef consumption was slightly lower than expected. This created issues in the supply chain, but also meant that imported beef was competing with stored beef, dampening import demand for much of the year. Since then, beef stocks in cold storage have eased by 17%, to 177,624 tonnes cwe, as excess beef in cold storage was gradually consumed over the year.

Imported chuck roll retail price 2018–2024



Source: ALIC, MLA

Consumption

- In Q1 2024, total beef consumption eased by 14% from Q4 2023 and 1% from Q1 2023 to 284,244 tonnes cwe.
- Beef in cold stores declined by 17% from Q4 2022 to 177,624mt cwe.

With the easing in imports, consumption of beef in Japan eased slightly from year-ago levels in Q1 2024 as price increases and the broader inflationary environment began to effect consumer demand.

Retail prices have remained high since a general lift in prices between 2020 and 2022, and high costs for other imported goods have reduced discretionary consumption among Japanese consumers. This has led to a slight decrease in per-capita domestic consumption, alongside the slowdown of imports.

The decrease in imports has been partially ameliorated through drawing down stocks of beef that had been held in cold storage, which had reached record highs in late 2022 and early 2023. The drawdown in stocks means that frozen stocks are now the lowest they've been since 2020, and the pace of the drawdown was reasonably consistent over the second half of 2023 and first quarter of 2024.

Retail prices for imported beef rose compared to year-ago levels, while domestically produced beef remained stable or eased slightly over the quarter. Despite this, imported beef is still substantially cheaper than domestic beef in most cases; Australian chuck rolls cost roughly half as much as domestic chuck rolls from dairy cattle, and around 30% of the Wagyu price.

South Korea

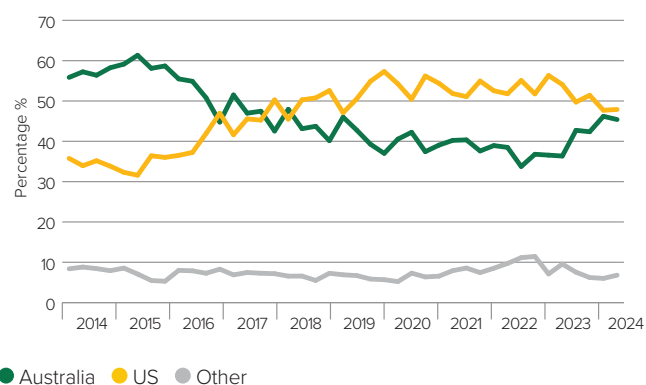
Imports

- In Q1 2024, Korea imported 176,785mt cwe of beef, 44% more than Q4 2023 but 1% less than Q1 2023.
- The USA remained the largest exporter, with a market share of 48% over the quarter, followed by Australia with a market share of 46%.
- The cost of imported chilled beef was US\$12.87/kg swt, while frozen imports cost an average of US\$6.57/kg.

Korean beef imports rose above year-ago levels due to a considerable increase in Australian beef exports, while US exports declined by 13% after a surprisingly long period of robust exports in the face of declining production.

Despite the decline, the US remained the largest exporter in the market, but US market share fell from 54% in Q1 2023 to 48% in Q4 2023. At the same time, Australian market share lifted from 36% in Q4 2022 to 46%. American declines in production, alongside rising Australian production, led to this shift, which is likely to continue as the US cattle herd enters a rebuilding period.

Korean import market share



Source: Trade Data Monitor, MLA



The shift in import market composition contributed to a decline in imported beef prices. Frozen beef from the US cost an average of US\$7.68/kg, 66¢ more than Q1 2023, while Australian frozen beef prices fell by 45¢ to US\$5.65. US beef usually holds a premium over Australian beef in the Korean market regardless of market share, so the shift in export composition alongside the drop in Australian prices led to a 5¢ decline in the price of imported frozen beef to \$US6.57/kg.

Slaughter

- In Q1 2024, cattle slaughter rose 17% from Q4 2023 and 9% from Q1 2023 to 285,323 head.
- The female slaughter rate for the 12 months to December 2023 was 50%, well above the long-run average of 47% suggesting a herd destock.

The pace of cattle slaughter remained well above average levels in Q1, especially in January, when slaughter lifted 41% from year-ago levels to 142,549 head, or almost half of the quarter’s total slaughter.

The elevated slaughter seen this year has been the result of deliberate herd destocking from producers due to high input costs, alongside Government subsidies to encourage consumption of Hanwoo beef positively impacting production. Despite this, domestic beef remains more expensive than imported Australian and American beef in the Korean market.

As Korea lacks FMD-free phytosanitary certification, and saw a confirmed outbreak in May 2023, the overwhelming majority of Korean beef is consumed in Korea (in Q1 exports totaled just 16mt cwe). As such, Korean production has a meaningful impact on overall supply in the market, despite its relatively small size.

Korean slaughter by month



Source: APQA, MLA

China

Imports

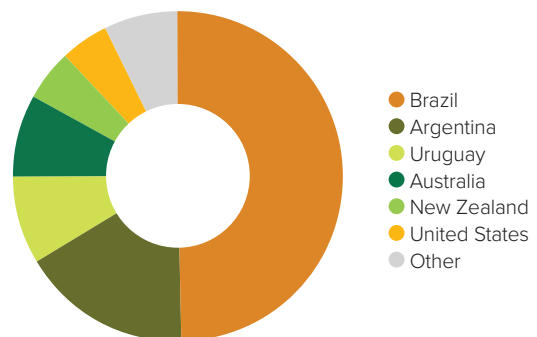
- China imported 1.09 million mt cwe in Q1 2024, 10% more than last quarter and 10% more than Q1 2023.
- 82 batches of beef were rejected by customs in January and February, up from 18 batches in Q4 2022.
- Brazil was the largest exporter to China, accounting for 45% of imported volume, followed by Argentina, Uruguay and Australia.

Chinese beef imports strengthened over the quarter, with supply increasing from every major exporter except for New Zealand and the United States. Over the past 12 months China imported 4.1 million tonnes cwe of beef, a record import volume for China over a 12-month period and the most beef ever imported by any country.

Imports from Brazil made up 45% of the imported total, with exports lifting over the quarter to 496,121 tonnes cwe. This export flow is massive; in 2023, Brazilian exports of beef to China constituted 17% of internationally traded beef (excluding intra-EU trade), highlighting the size of the Chinese market and the scale of Brazilian exports into it. When combined with other Mercosur countries, South American market share over the quarter was 75%.

Of the major exporters to China, Australia saw the largest year-on-year increase in exports to China, with volumes rising by 45% from Q1 2021 to 87,692 tonnes cwe. Australia is also an outlier insofar as chilled exports made up 20% of the total, compared to 2.7% of exports overall. Almost all of the beef exported from South America, New Zealand and Eurasia is frozen, meaning Australia and the US are the only meaningful suppliers of chilled beef into the market, albeit at drastically smaller volumes than the trade as a whole.

Distribution by market – Volume



Source: Trade Data Monitor, MLA



Prices

- Frozen beef imports into China cost US\$4.62/kg in Q1 2024, while chilled imports cost US\$10.63/kg.
- Of the major beef exporters, US beef carried the highest price at US\$9.94/kg over the quarter.
- Retail beef prices eased 5% from Q4 2023 to end March at ¥77/kg.

Import beef prices largely held firm in Q1, dipping 9¢ compared to Q4 2023.

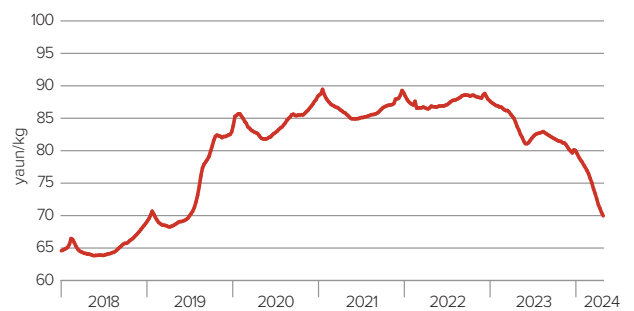
While still easing, this was still a much smaller drop than the price declines seen over the course of 2023. Following a very strong year of import growth in 2023, the pace of the market slowed in 2023, with prices falling US\$1.07/kg over the year. The relatively modest decline in Q1 suggests that prices have stabilised, at least temporarily.

The decline in export prices was relatively consistent across suppliers, with the exception of the United States, where unit pricing actually lifted 64¢ year-on-year to US\$9.94/kg. This was not due to an actual increase in prices, but rather a shift in export mix. As US production declines, higher-value beef makes up a larger portion of the export mix, which in turn drives up the aggregate price.

Among exporters supplying primarily frozen commodity-grade beef, prices declined by 12–15¢ over the quarter, and 30–60¢ from last year. This was truer for Russian and Belarusian exporters, who operated as price takers in the market, having few options between them to export to any market that requires US currency to engage in trade and saw price declines of 25% from last year.

While less substantial than wholesale prices, retail beef prices also eased over the quarter, dipping ¥4 over the quarter to ¥77/kg, a 5% decline that puts retail beef prices near-par with mutton and lamb.

Retail beef price 2018–2024



Source: Steiner Consulting, MLA



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