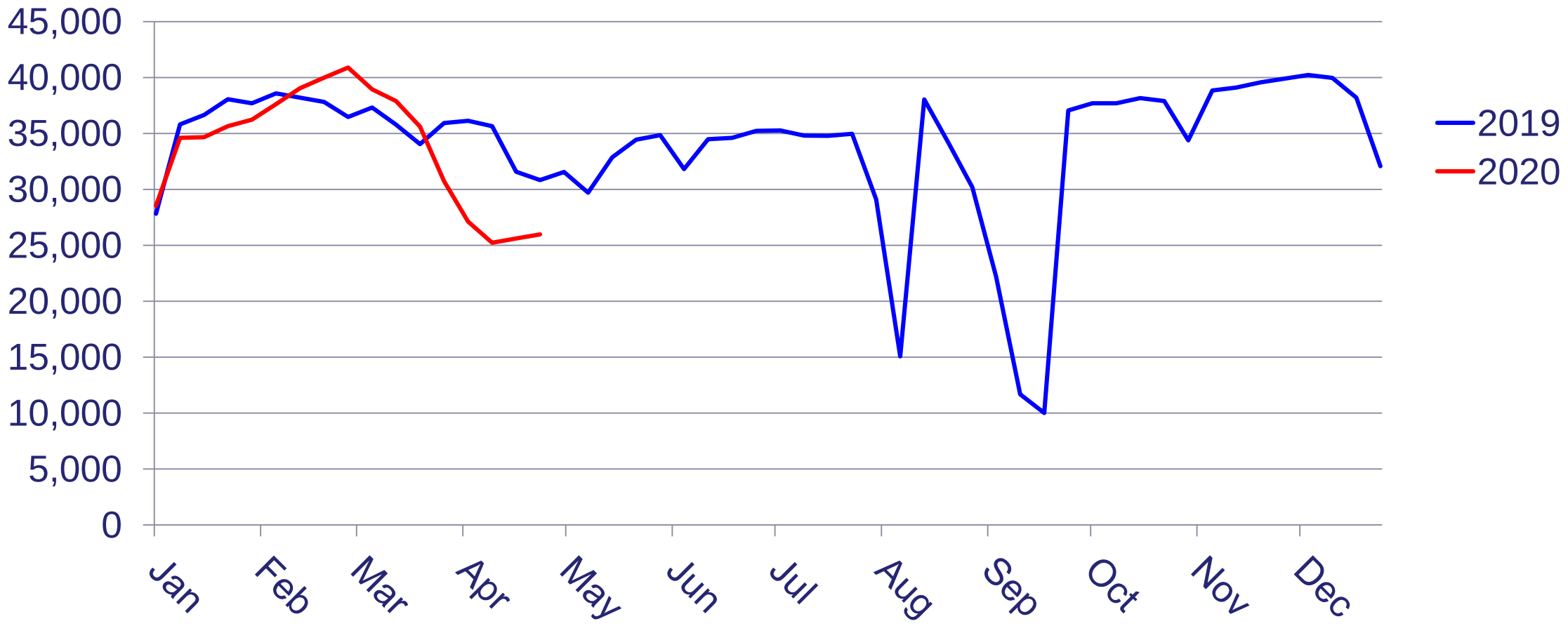
Beef Market Update

May 2020

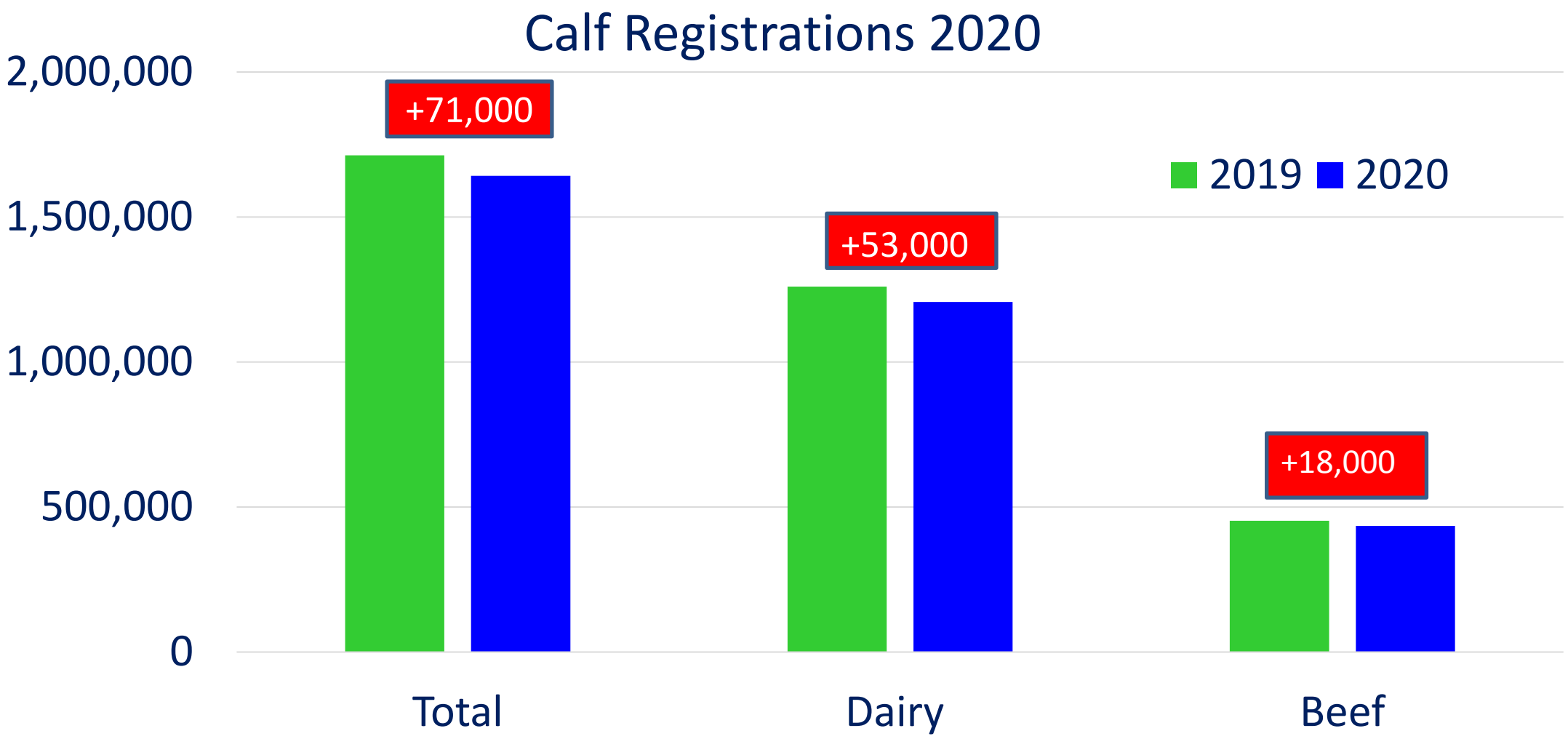
Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Irish weekly finished cattle supplies (head)

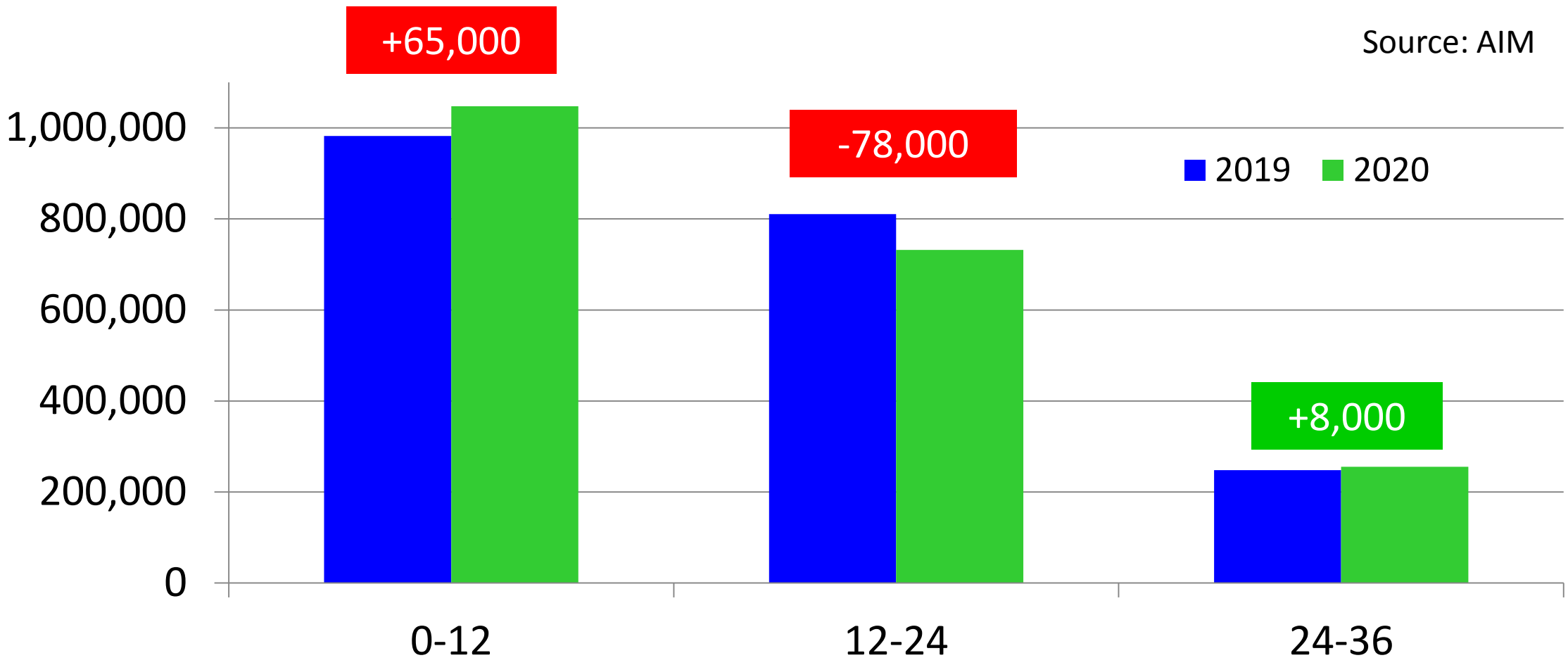


Overall cattle supplies for the year to-date down by 22,000 / -3.5%

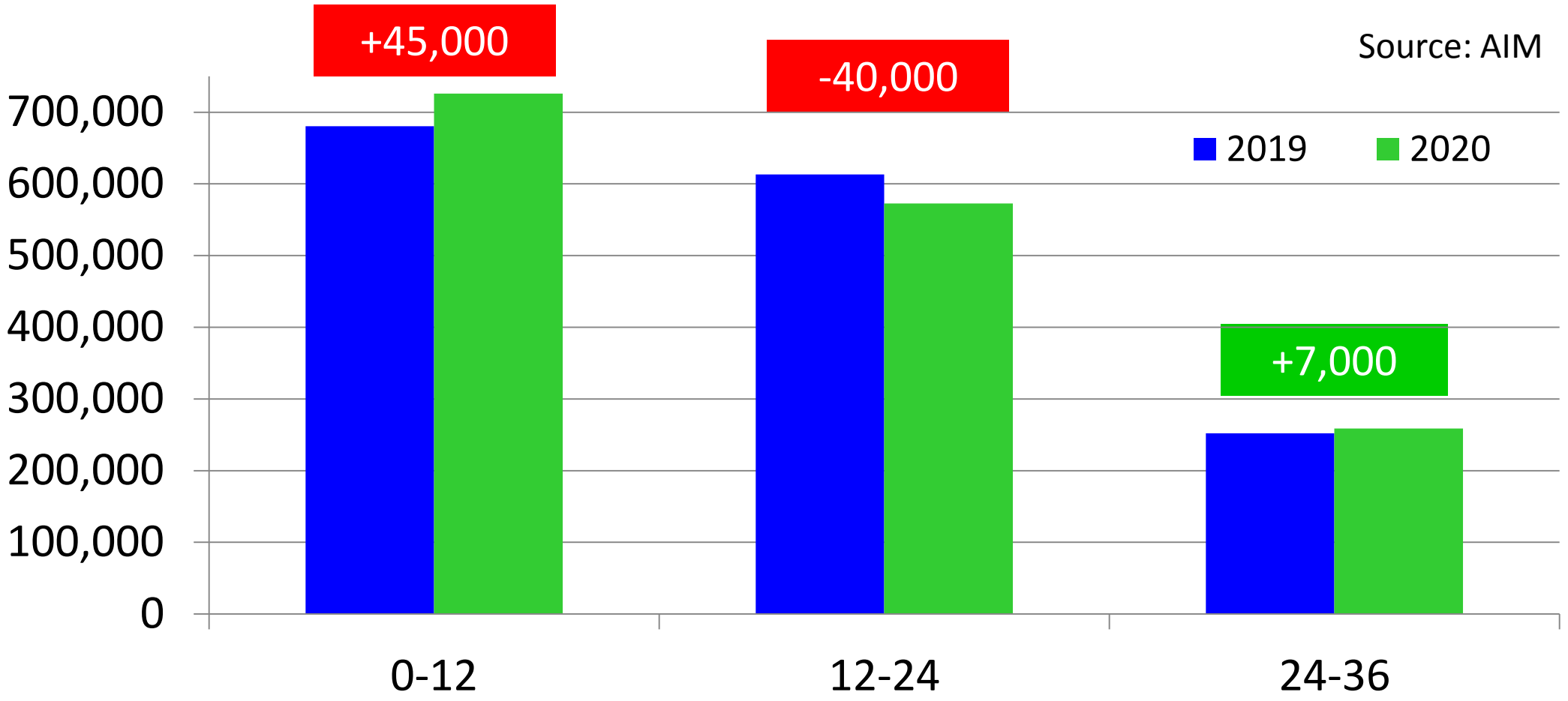


Source: ICBF/ AIM

Male Cattle Numbers by Age Category on 1st of March

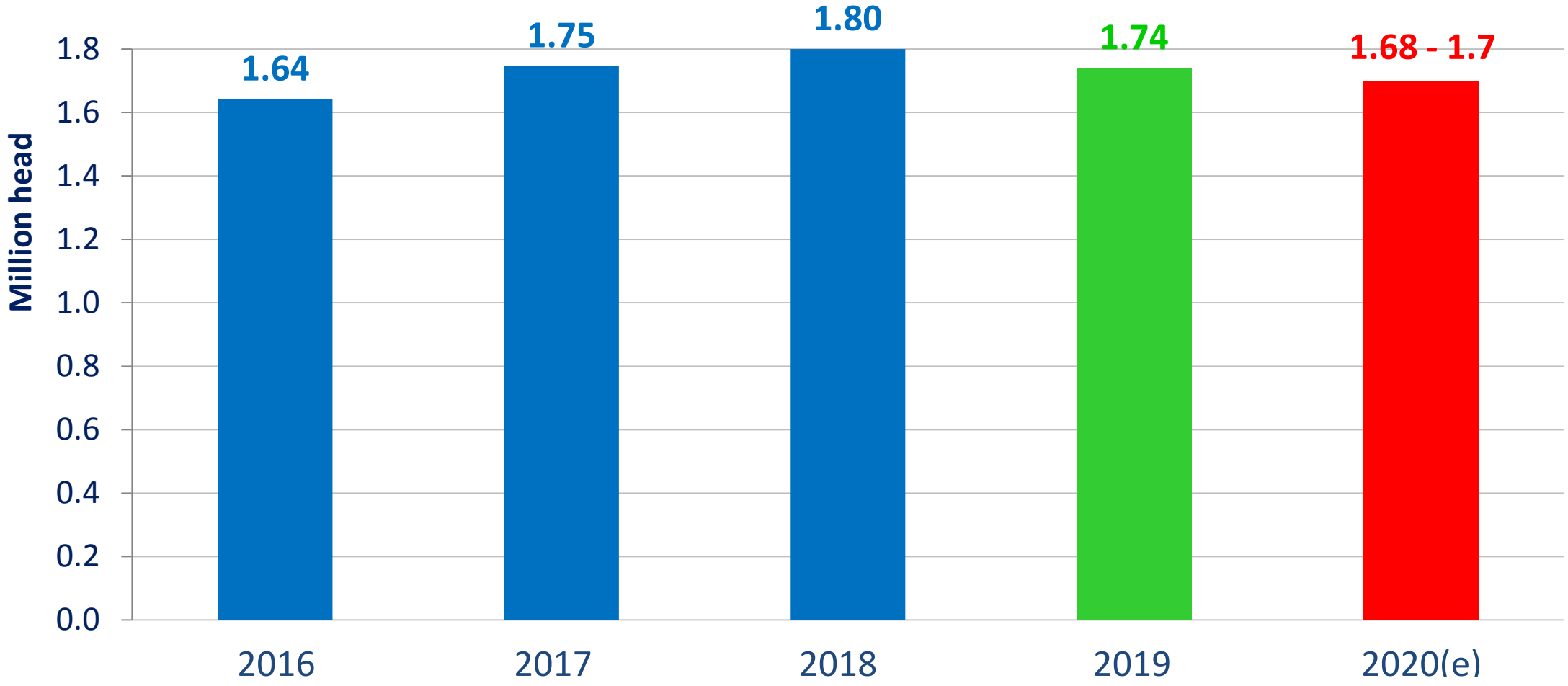


Female Beef Cattle No.s by Age Category on 1st of March

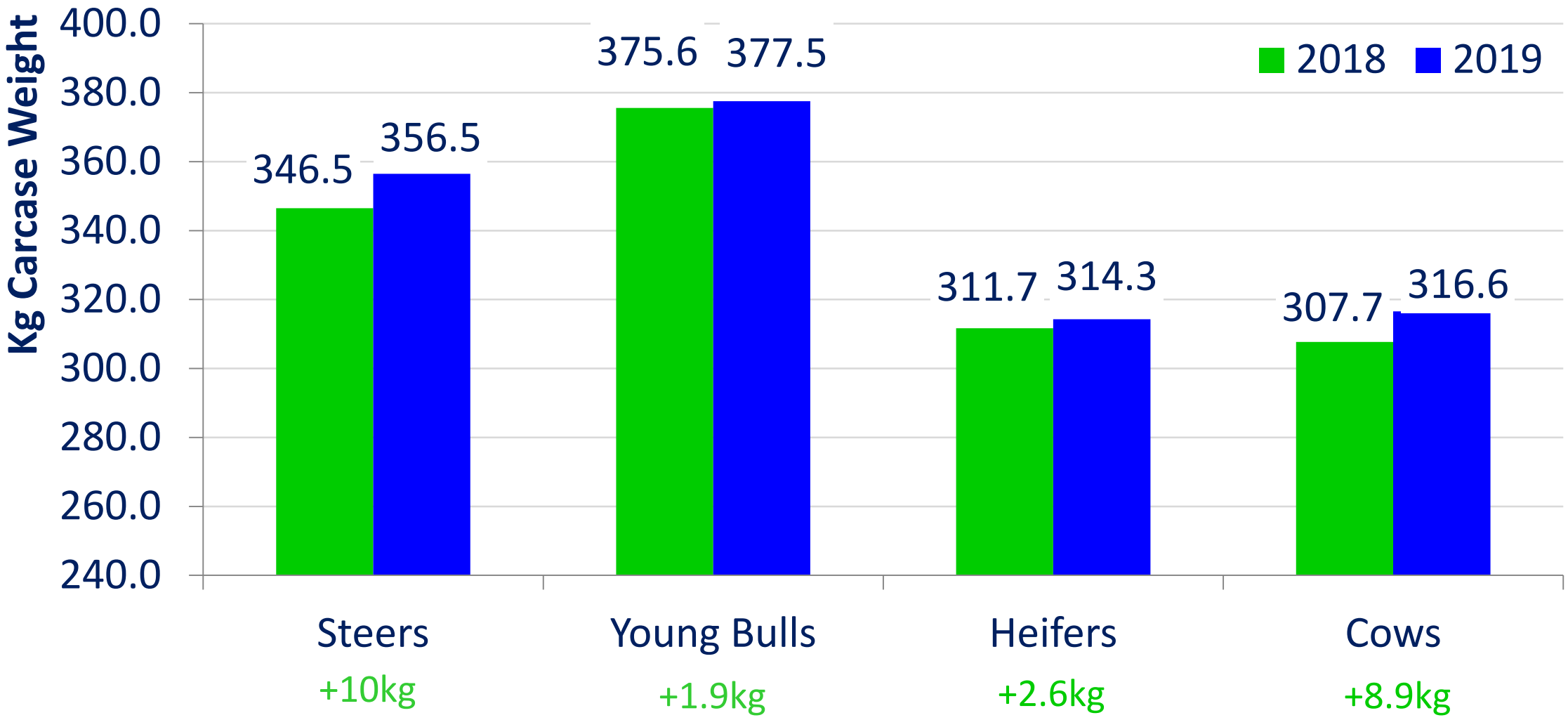


Finished Cattle Supplies - Export Meat Plants

2016 - 2020(F)



Carcase weights increase by 2% / +6.8kg



IRISH BEEF EXPORTS 2019

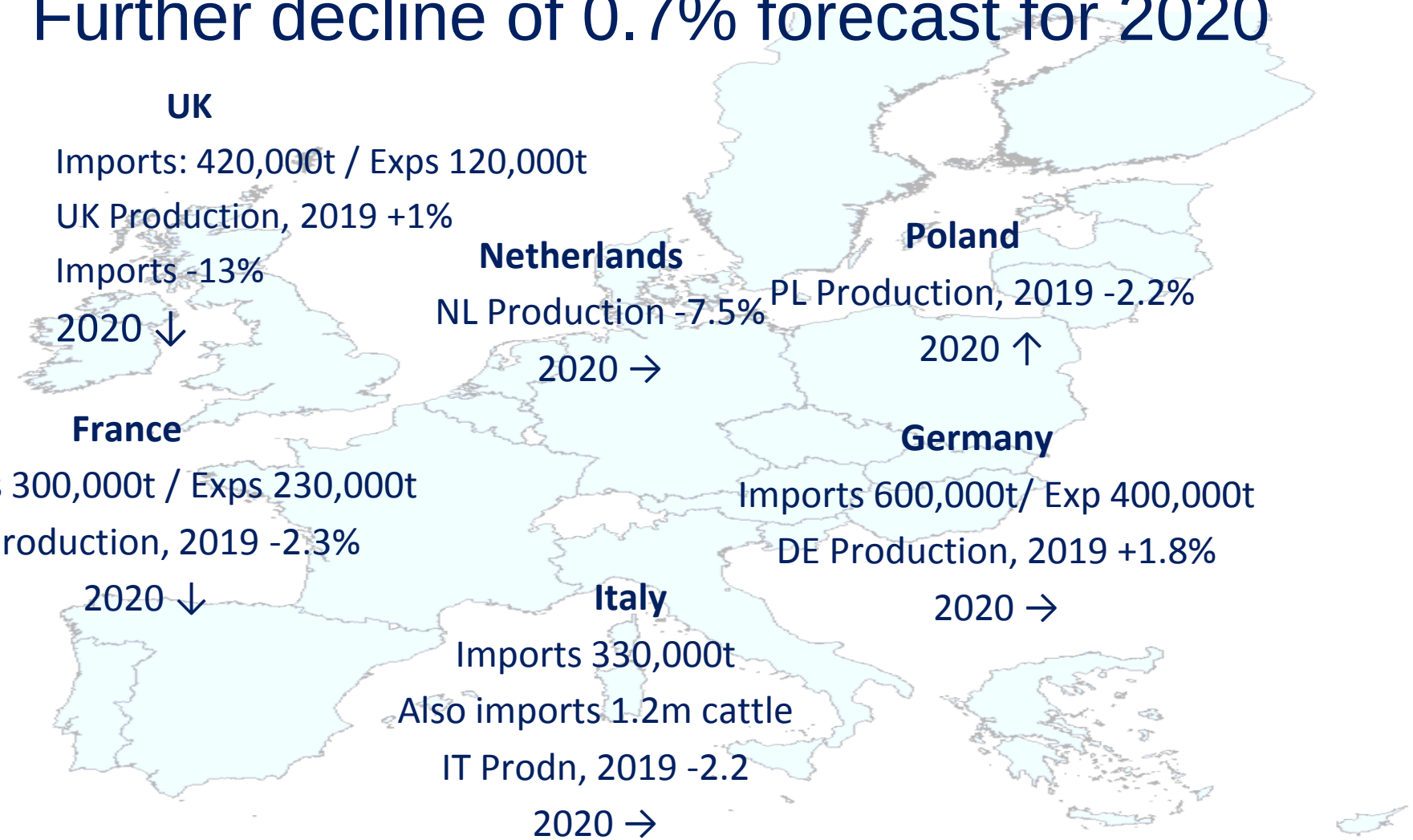
Total 560,000
Tonnes -1.5%
€2.25bn
-7%

UK market 265,000T (cwe) -11%

Continental EU 250,000T (cwe)
n/c

International 45,000T (cwe)
+80%

EU Beef Production declined by 0.5% in 2019
Further decline of 0.7% forecast for 2020



UK

Imports: 420,000t / Exps 120,000t

UK Production, 2019 +1%

Imports -13%

2020 ↓

Netherlands

NL Production -7.5%

2020 →

Poland

PL Production, 2019 -2.2%

2020 ↑

France

Imports 300,000t / Exps 230,000t

FR Production, 2019 -2.3%

2020 ↓

Germany

Imports 600,000t/ Exp 400,000t

DE Production, 2019 +1.8%

2020 →

Italy

Imports 330,000t

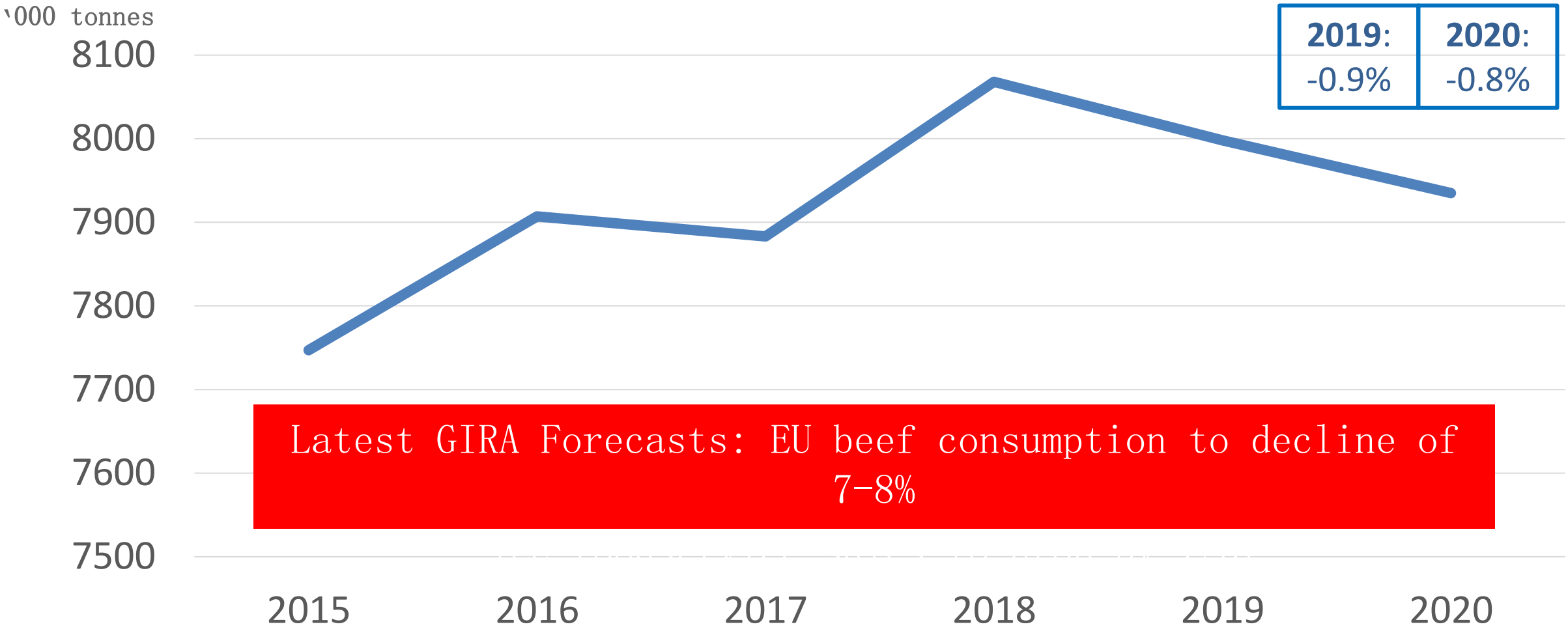
Also imports 1.2m cattle

IT Prodn, 2019 -2.2

2020 →

EU-28 Beef Consumption

Source: EU Commission



Retail meat purchase trends - 2020

Ireland: 12 wks to 19/04: Beef volumes +12.4%

(Mince +24.9%, Steak +8.5%)

4 wks to 19/04: Beef volumes +14.9%

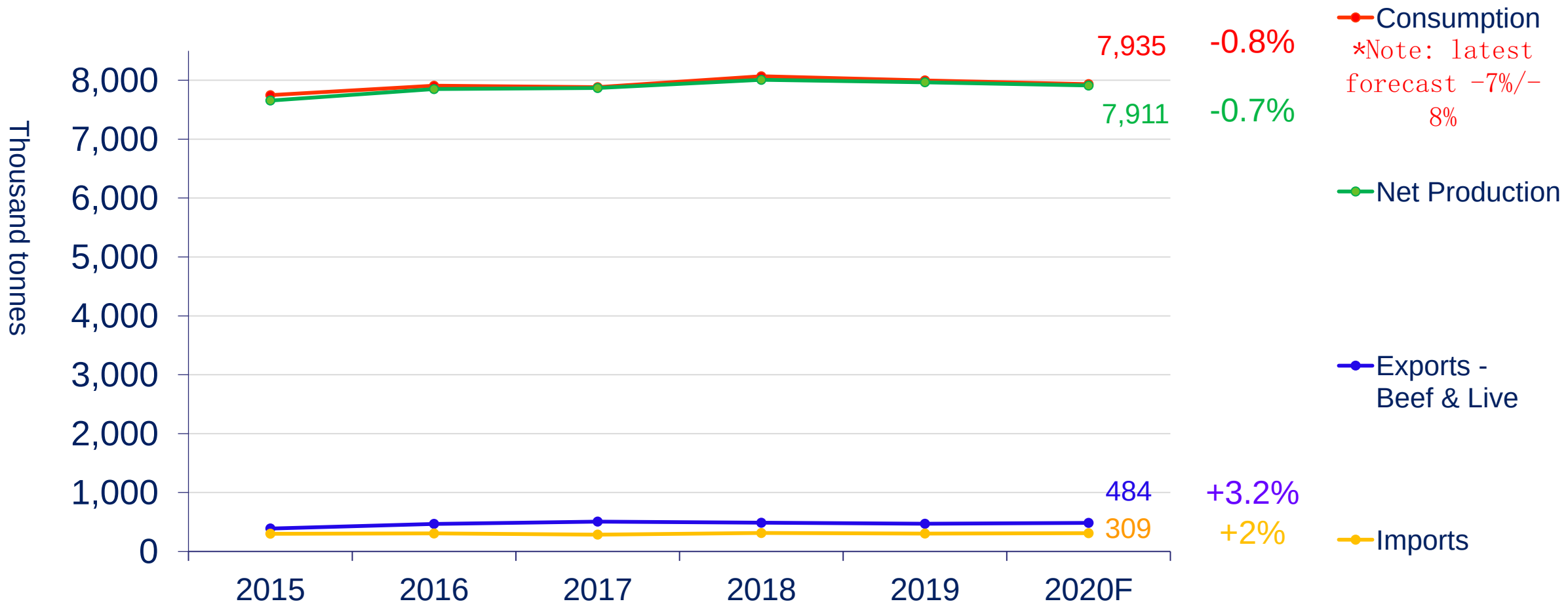
(Mince +26.1%, Steak +15.2%)

Britain: 12 wks to 19/04: Beef volumes +16.2%

(Mince +27%, Steak +10.8%)

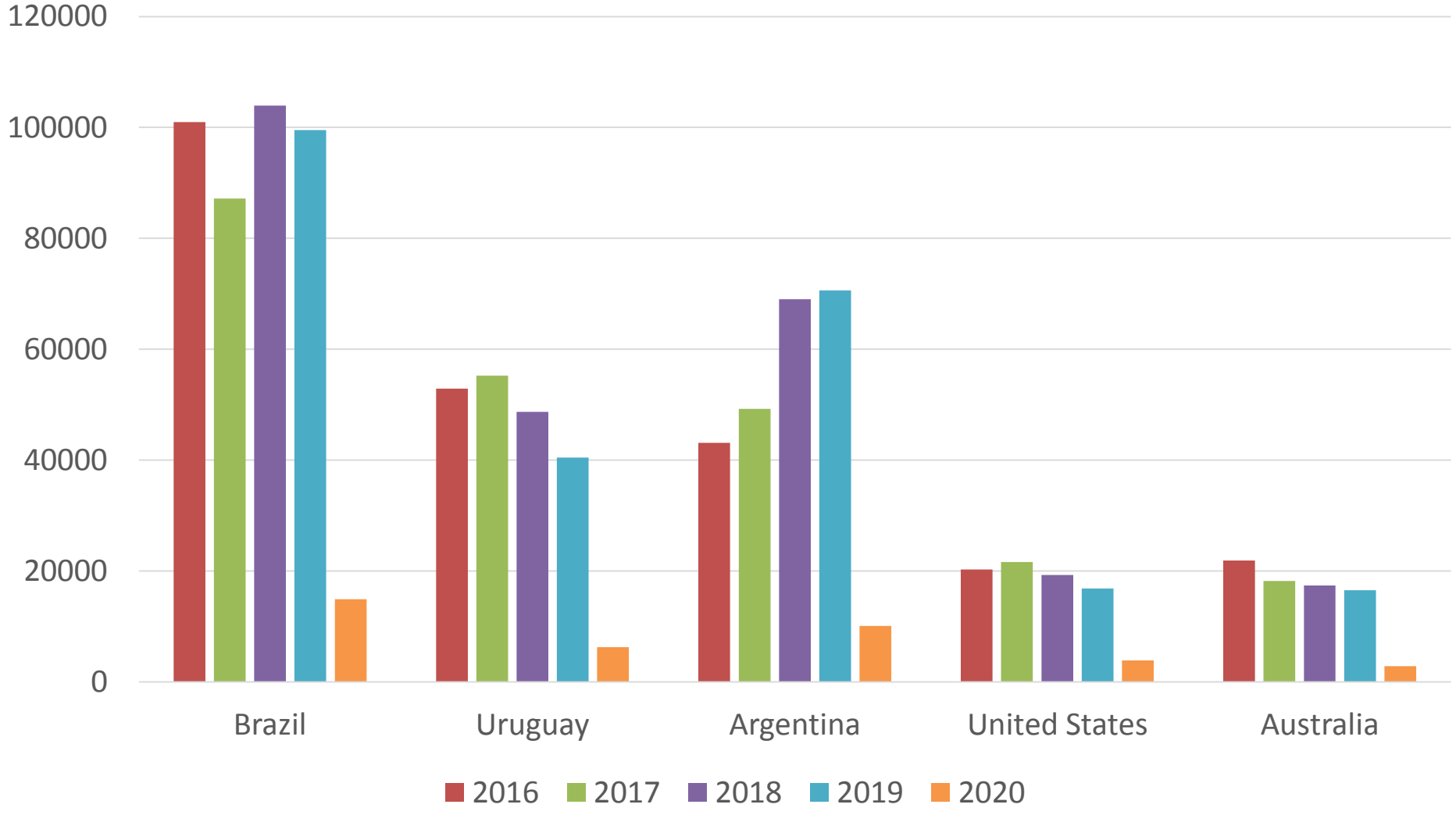
France: 12 wks to 22/03: Beef volumes +8.7%

EU-28 Beef & Veal Market Balance (t CWE)



EU Commission: Short-term Outlook for Agricultural markets — Mar 2020

EU Beef Import Trend 2020 (Jan-Feb):



2020 to-date:

Brazil -3%

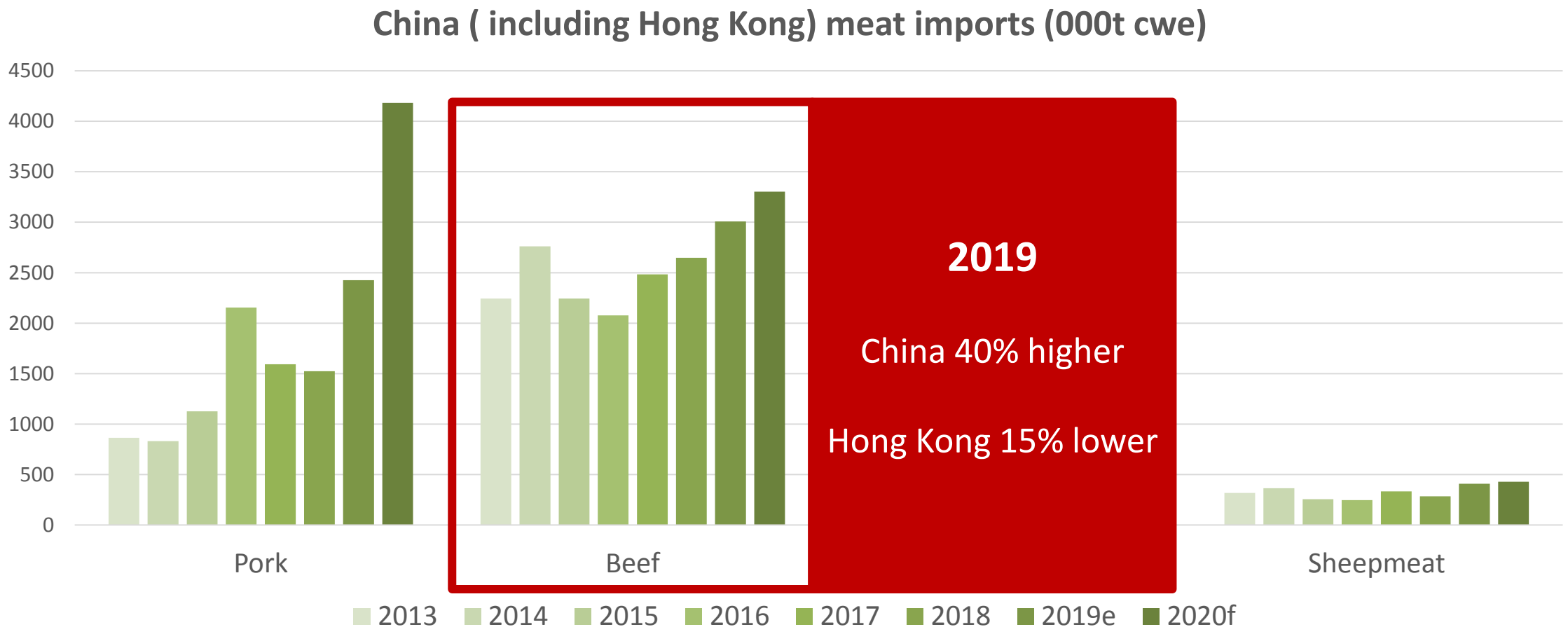
Argentina -27%

Uruguay -22%

USA -18%

Significant Increase in Chinese Meat Imports

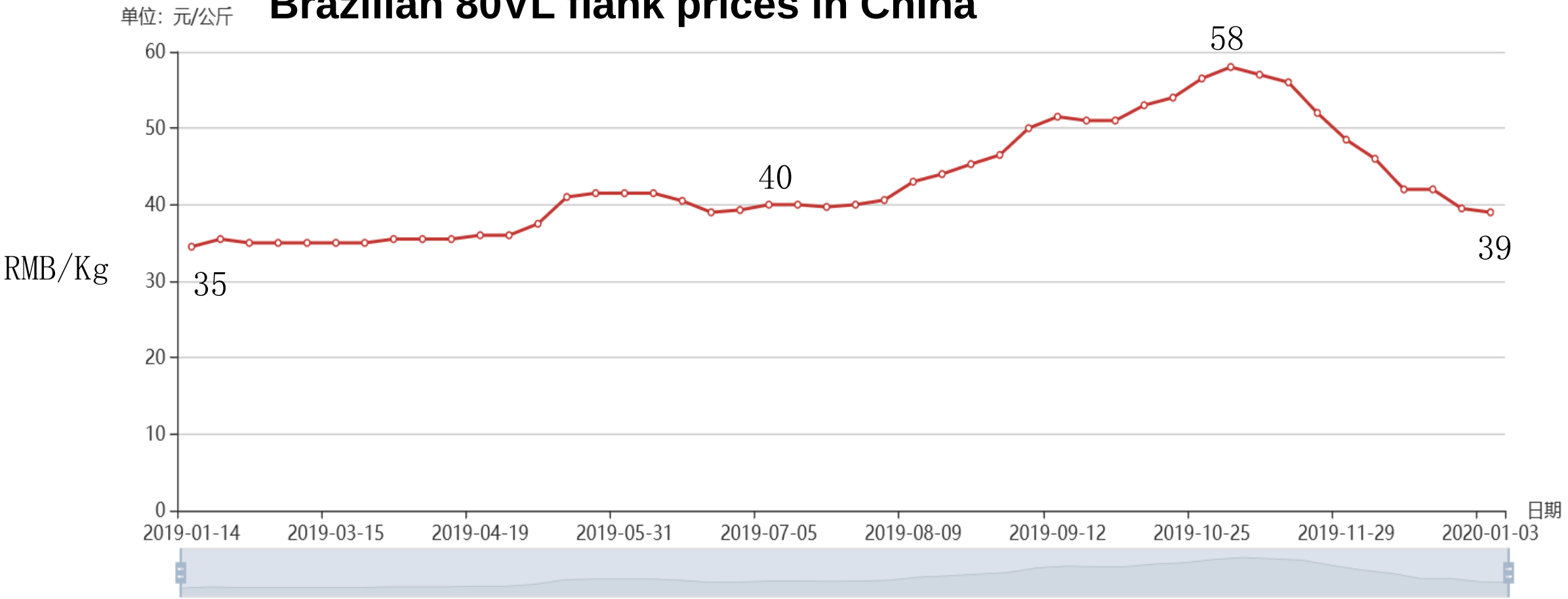
(Overall imports almost 2m tonnes higher in 2019, similar increase for 2020)



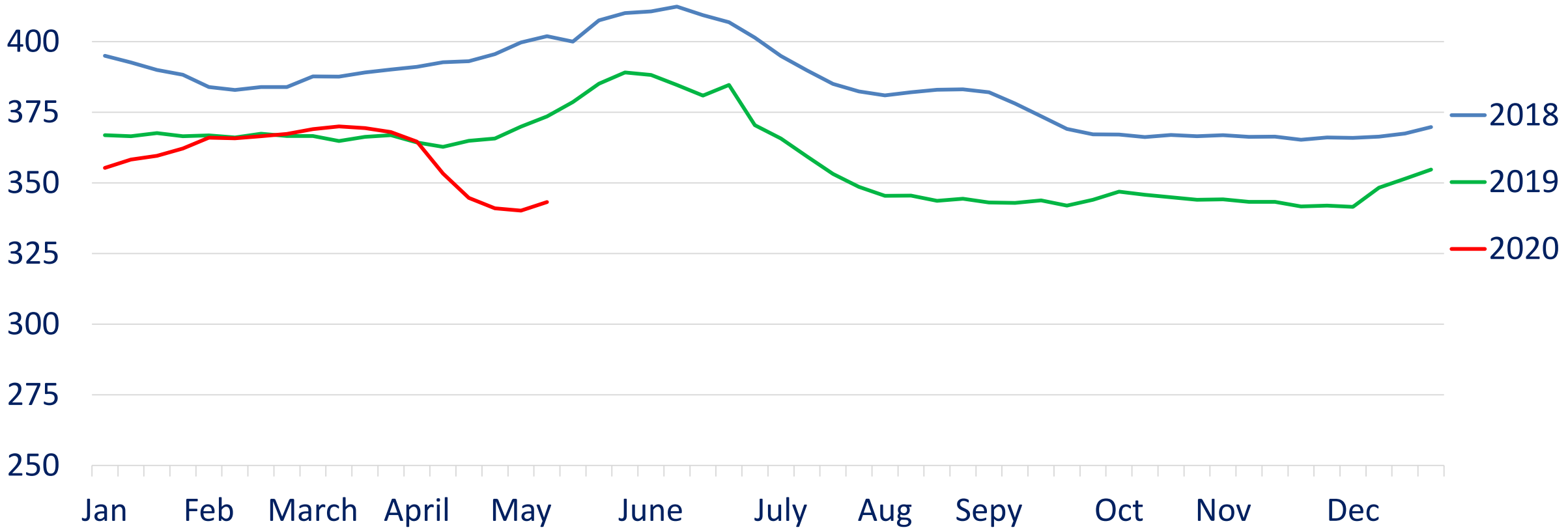
Source: GIRA

But, significant volatility …….

Brazilian 80VL flank prices in China



Producer Prices: Ireland R3 Steer (c/kg excl VAT)

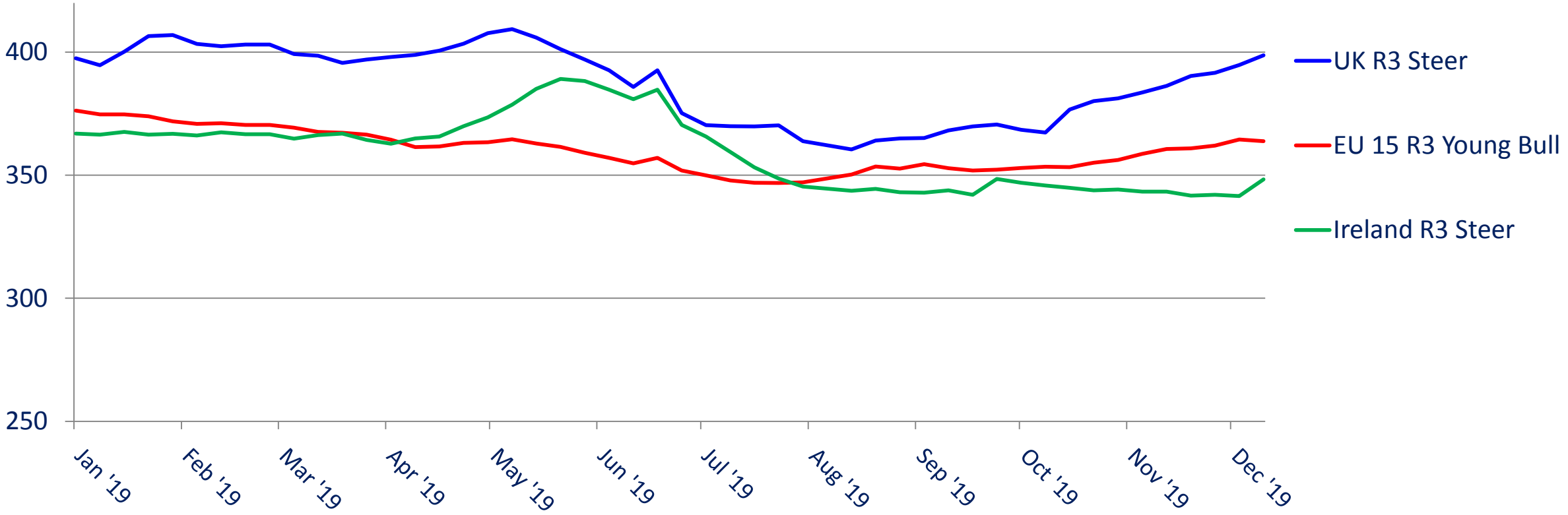


For the year to-date, Irish R3 steer prices have declined by 2% v.s 2019 (€3.59 vs. €3.66)

Irish Price May '20: €3.43/kg vs. May '19: €3.70/kg

Producer Prices: Ireland vs. UK & Continental EU

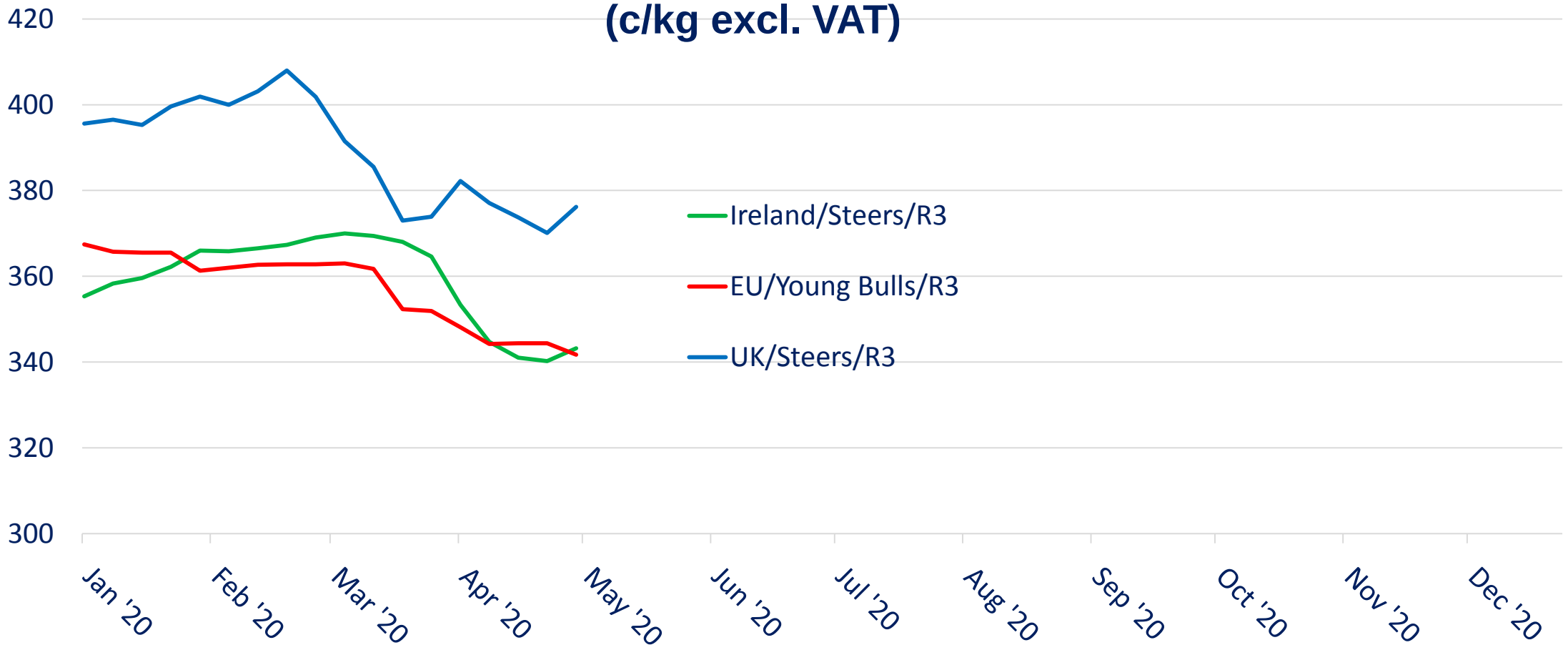
(c/kg excl VAT)



During 2019, Irish R3 steer €3.60 vs. UK R3 steer €3.88, Continental EU R3 YB €3.60

Latest prices: Ireland €3.43/kg vs. UK €3.76 vs. Continental EU: €3.41/kg

Producer Prices: Ireland vs. UK & Continental EU (c/kg excl. VAT)



Latest prices: Ireland €3.43/kg vs. UK €3.76 vs. Continental EU: €3.41/kg

Irish Composite Price vs Export Benchmark Price (€/kg Deadweight excl. VAT)

This price comparison involves a more detailed analysis which takes account of the prices paid for each of the different categories of animals and grades.

The Irish Composite cattle price equates to the average price per kilo paid for all animals slaughtered in Ireland on a weekly basis, based on the percentage of animals in the different categories annually (steers, young bulls, heifers and cows) and the main carcase grades.

The Export Benchmark Price is a market indicator which takes account of the prevailing cattle prices for the different carcase categories and grades, across the main EU markets for Irish beef (including the UK, France, Italy, Germany, the Netherlands and Sweden), as reported by the European Commission. Essentially, this equates to the average price that Irish producers would theoretically receive, if their cattle were priced according to the prevailing carcase prices across the primary export markets. The Export Benchmark does not take into account the additional transport costs incurred by Irish beef exports to the UK and continental Europe, in comparison with domestically-produced beef in these markets.

The Export Benchmark tracks the domestic beef prices in our main export markets. However, Irish exporters may not attain the same market returns paid to local producers and in each of these markets, Irish exporters also compete with other EU and international suppliers. The composition of the Export Benchmark will be updated on a quarterly basis, so that its weightings best reflect the latest trends in Irish beef export volumes by market destination.

There are delays in the official reporting of actual market price movements. These weekly price series are based on the latest available published official data and may not capture very recent changes in market prices.

Country	Current Week	Same Week Last Year	% Change Previous Week	% Change Previous Year	Average Same Period Last Year	Average to Date Current Year	% Change Average to Date from Last Year
Irish Composite	€ 3.18	€ 3.50	▲ 1.0%	▼ -9.1%	€ 3.41	€ 3.35	▼ -1.9%
Export Benchmark	€ 3.22	€ 3.52	▲ 0.1%	▼ -8.7%	€ 3.46	€ 3.35	▼ -3.0%

Prime Irish Composite Price vs Prime Export Benchmark Price (€/kg Deadweight excl. VAT)

This exercise is similar to the previous price comparison, except that it focuses entirely on the prices paid for prime cattle (steers, young bulls and heifers).

Again, the Prime Irish Composite price relates to the average price per kilo paid for prime beef animals slaughtered in Ireland on a weekly basis, based on the share of annual throughput falling within the respective categories and the main carcase grades.

Likewise, the Prime Export Benchmark price is a reflection of the prices being paid for prime cattle of the different carcase categories and grades, and is weighted according the relative importance of key EU markets for Irish beef (the UK, France, Italy, Germany, the Netherlands and Sweden). The Export Benchmark does not take into account the additional transport costs incurred by Irish beef exports to the UK and continental Europe, in comparison with domestically-produced beef in these markets.

The Export Benchmark tracks the domestic beef prices in our main export markets. However, Irish exporters may not attain the same market returns paid to local producers and in each of these markets, Irish exporters also compete with other EU and international suppliers. The composition of the Export Benchmark will be updated on a quarterly basis, so that its weightings best reflect the latest trends in Irish beef export volumes by market destination.

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Country	Current Week	Same Week Last Year	% Change Previous Week	% Change Previous Year	Average Same Period Last Year	Average to Date Current Year	% Change Average to Date from Last Year
Prime Irish Composite	€ 3.36	€ 3.68	▲ 0.6%	▼ -8.7%	€ 3.62	€ 3.52	▼ -2.8%
Prime Export Benchmark	€ 3.37	€ 3.68	▼ -0.1%	▼ -8.4%	€ 3.64	€ 3.52	▼ -3.2%

US By-Product Market Indicator (€/kg Carcase Weight)

In relation to the offal and hide coming from an animal, these by-products contribute to the overall value returned from the market, and therefore they influence the demand for finished cattle by beef processors.

While there are no published prices for Irish or EU hides or offal products, there are regular reports available from the USDA. Because these are globally traded commodities, the US data provides a reasonable reflection of market trends. (EU returns tend to be somewhat lower, on account of market access and the EU ban on meat & bone meal and blood meal in animal feed.)

By-products may be broadly classed into three categories: Hide, Red Offals (tongue, liver, tail etc) and White Offals (tripes, fats etc.) The following table and graph summarises the latest market trends in the hide and offal markets, on a € per kg of Carcase Weight basis, as reported by USDA.

By-Product Values for Current Date and Same Period Last Year (€/kg of Carcase Weight)

Week Ending	Saturday, 04 May 2019	Saturday, 02 May 2020
Hide	€0.08	€0.05
Red Offals	€0.10	€0.09
White Offals	€0.09	€0.12
Overall	€0.27	€0.26

By-Product Value (€/kg Carcase Weight)

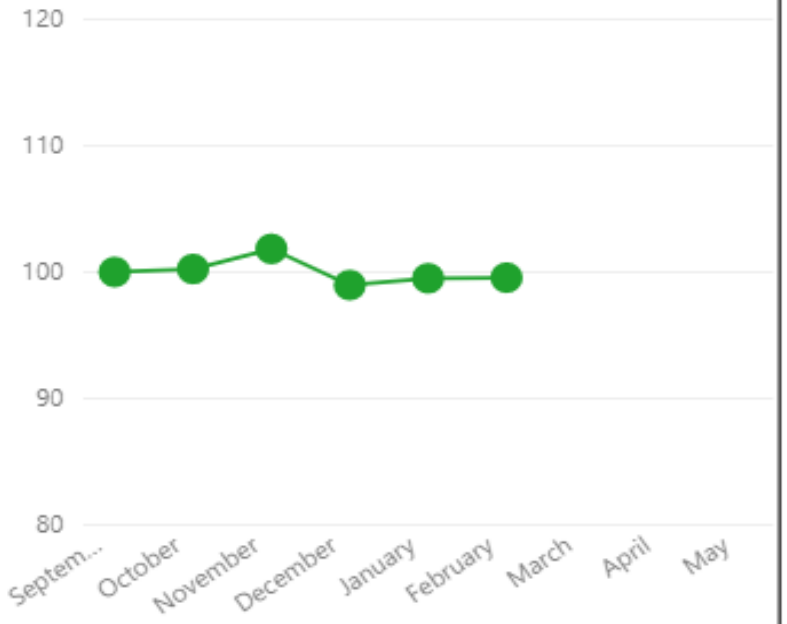
Wholesale & Retail Beef Price Indices

The Beef Market Price Index is intended to provide insight into the price performance of prime beef in key markets over time, at the level of the retail or wholesale customer. The index acts as a monthly indicator of market conditions for Irish beef, relative to the situation prevailing during the initial base period of this study, which was September 2019.

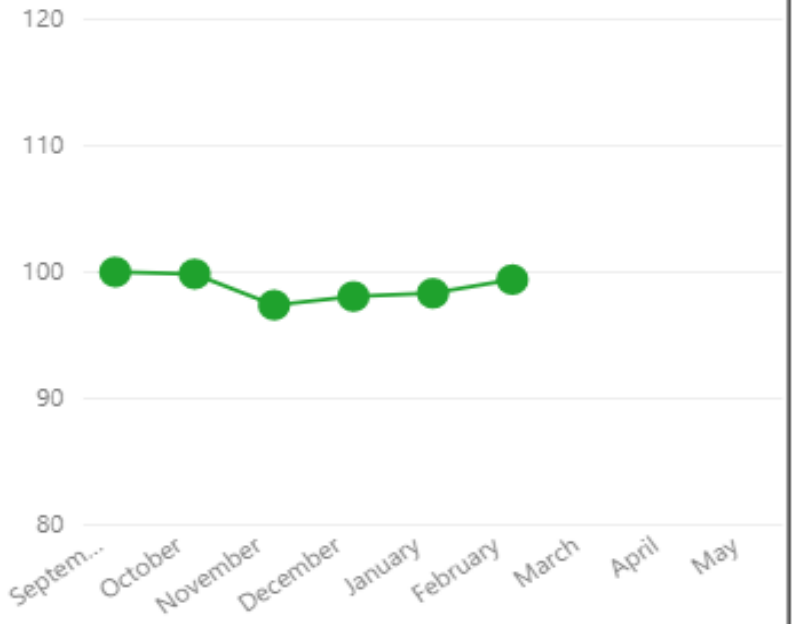
Each month, Bord Bia monitors specific retail and wholesale prices across seven principal markets (Ireland, the UK, France, Italy, the Netherlands, Germany and Sweden) which collectively accounted for approximately 90 percent of Irish beef sales in 2019. Within each market, prices are recorded for steak, round and forequarter beef cuts.

Market prices are weighted according to their relative importance, and collated into a Retail Sub-Index and a Wholesale Sub-Index, whose values are aggregated to form an Overall Beef Market Index. The base-line value of the indices is set at 100, according to their respective values during the initial base period (September 2019).

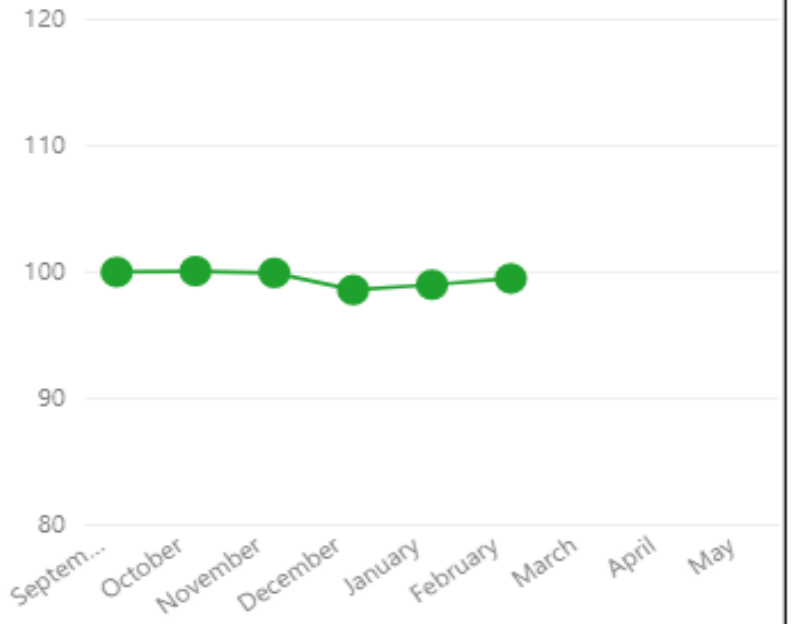
Retail Market Sub Index (September 2019 = 100 points)



Wholesale Market Sub Index (September 2019 = 100 points)



Overall Beef Market Index (September 2019 = 100 points)



Summary

- Tighter Irish cattle supplies in 2020
- Decline anticipated (-0.7%) in EU production
- Covid pandemic to negatively impact EU beef consumption (7-8% decline: GIRA)
- Positive uplift in retail sales:
- However this is not fully compensating for loss of foodservice: especially for steak cuts
- Chinese market showing signs of recovery in recent weeks.
- EU market less attractive to imports

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