

Consumer Trends: Beef Industry Driven by Strong Global Demand

NEW YORK (Business Wire) — Rabobank has published a new report on the global beef industry, forecasting continued strong market fundamentals and continued strong global demand led by the Chinese market.

In the report, Rabobank's Food & Agribusiness Research team says that beef market fundamentals remain positive, with prices driven up across the globe in Q1 2014 by firm demand as well as further tightening supply due to drought-induced herd retention in the U.S. and adverse weather conditions in Brazil and Australia — the three main beef exporters. Combined with fluctuating exchange rates, these events have impacted competitive positions in export markets, with Brazil and Australia gaining export share in Q1 at the expense of the U.S.

The bank says that, on the demand side, beef demand growth will continue to come mainly from China. Although 2014 imports in China are not expected to reach the growth levels experienced in 2013, they will grow as Chinese farmers take little interest in government-supported production expansion and strong profits, and the market opening for Australian chilled fresh beef products. Chinese market opening to Brazilian beef may happen imminently.

"Prospects for the global beef industry remains positive in Q2, with further possible upside due to continuing pressured beef supply and scarce supply of competing proteins which will continue to impact competitive positions," explained Rabobank analyst Albert Vernooij. "Brazilian cattle prices and exports have surged to record levels, and Australian droughts have encouraged historically high slaughter levels to meet global demand."

Regional Outlooks

- U.S.: Volatility was the biggest factor impacting the U.S. cattle complex in Q1 2014. The impact on the hog market due to the rapid spread of PEDv will be the wildcard in the coming months. The shortage in hog slaughter could have a significant impact on total meat supplies, strengthening beef demand during the spring grilling season and into summer.
- Australia: Poor climate conditions are keeping slaughter levels historically high, but strong international demand has supported record boxed beef exports in Q1. The latest seasonal outlook predicts a drier-than-normal period for Queensland and northern NSW and a continued high flow of cattle to markets is expected.
- Brazil: Expected continued strong demand, both domestic and export, will result in firm cattle prices in Q2 2014 and likely beyond, even in periods of strong supply. Domestic demand is likely to increase on the back of the

Consumer Trends: Beef Industry Driven by Strong Global Demand

Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

World Cup and presidential elections, while exports will be driven by the continued depreciation of the U.S. dollar.

- New Zealand: Export prospects are positive with strong demand likely from the U.S. and China. However, the relatively high New Zealand dollar continues to put downward pressure on returns, eroding international competitiveness.
- Canada: The long and extreme winter has been taxing, forcing increased feed usage. This escalation, in conjunction with cattle shipments to the U.S., means Canada is rapidly going through their available cattle supply with limited interest in herd expansion.
- Argentina: Exports are expected to remain low as government limitations on export markets continue, with the aim of keeping domestic meat prices low.
- China: Ongoing shortages in the domestic market will continue to support rising imports of frozen beef, with Australia remaining the biggest supplier accounting for 53% of total import volume in 2013.
- Mexico: Mexico's beef sector will continue operating under tight margins into Q2 2014 as beef and cattle prices remain high and lackluster consumption continues.
- EU: With EU markets more or less in equilibrium, beef prices are expected to hold firm at their current levels. Supply of cattle will remain stable while import growth will continue its steady increase of about 10%.

Rabobank Group is a global financial services leader providing wholesale and retail banking, leasing, real estate services, and renewable energy project financing. Founded over a century ago, Rabobank is one of the largest banks in the world, with nearly \$1 trillion in assets and operations in more than 40 countries. In North America, Rabobank is a premier bank to the food, beverage and agribusiness industry. Rabobank's Food & Agribusiness Research and Advisory team is comprised of more than 80 analysts around the world who provide expert analysis, insight and counsel to Rabobank clients about trends, issues and developments in all sectors of agriculture. www.rabobank.com/f&a [1]

Source URL (retrieved on 04/28/2015 - 8:49am):

<http://www.foodmanufacturing.com/news/2014/04/consumer-trends-beef-industry-driven-strong-global-demand>

Links:

[1] <http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.rabobank.com%2F%26a&esheet=50838799&newsitemid=20140407005250&lan=en-US&anchor=www.rabobank.com%2F%26a&index=1∓md5=619057e10061575ca88499059b5bd6d6>