



MIG China Imported Beef Market Report

-MIG Research

梅特国际研究院

201808

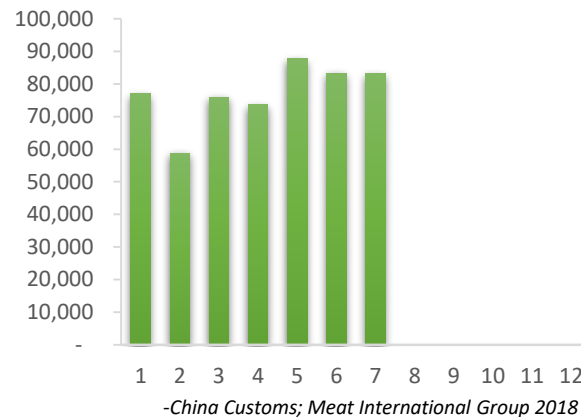
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China Imported Beef Volume

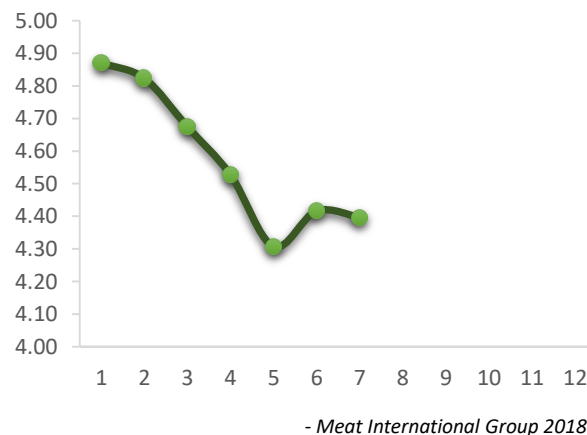
- ❑ In July 2018, China imported 83,255 tons of beef from the world, which means 376 million US dollars. Basically flat compared to last month.
- ❑ China continued to increase its import volume in 2018 and has remained at a historically high level since April. This is mainly due to the continuous increase in Chinese beef prices in 2017. The general profitability of importers is expected to be good in the future market.
- ❑ Usually September-December is the peak season for Chinese beef consumption. The demand has increased, so the annual landing data in September-December has increased significantly
- ❑ From September to November, it is the season for stocking in large-scale deep processing factories every year. The demand and purchase prices generally increase.
- ❑ In China's average purchase price in 2018, the average price of products arriving in May was the lowest. These orders were placed in approximately January and shipped from the port in March-April. The average purchase price during this period is generally low throughout the year. On the one hand, affected by the Spring Festival, the number of buyers has decreased and the bidding price is not intense. On the other hand, the expectations for the whole year have not been formed and buyers generally bear higher risks to buy, so generally try to lower the transaction price.

* The data in this page is all China landing data*

China Imported Beef Volume 2018 (MT)



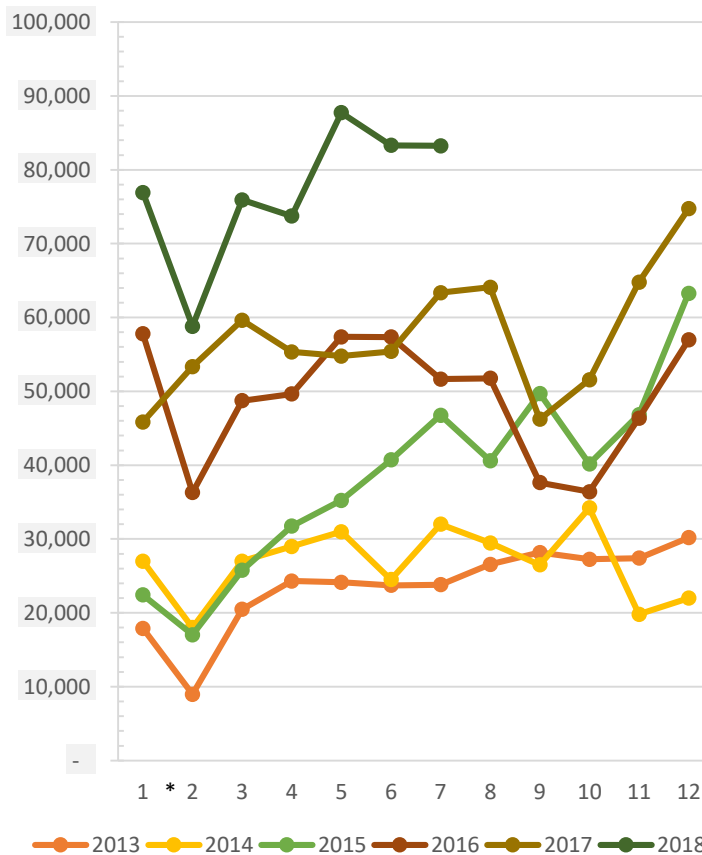
China Imported Beef Price 2018 (USD/KG CIF)



China Imported Beef Volume

- According to the market analysis of 2015, MIG believes that the international and domestic conditions in 2018 are similar to those in 2015. The price increase in the peak season (Sep-Nov) may be hindered, resulting in the loss of importers who purchased with higher prices during March-July.
- In particular, the fall in international prices during July to August will also affect the purchase of importers who were purchasing in the first half of the year.
- China has entered a monthly import level of 80,000 tons and China's total imports are expected to exceed 900,000 tons in 2018.
- In 2018, China has increased its purchase volume by about 39% compared with 2017. Most of the increased purchases have not been digested, because buyers were expecting better price in the peak season.

China Imported Beef Volume History 2013-2018 (MT)



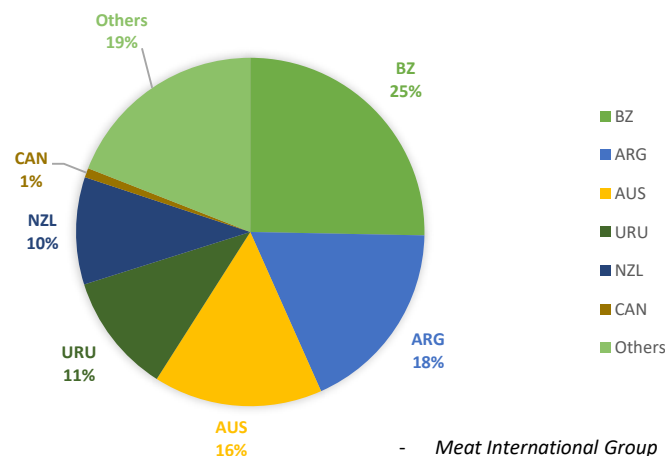
* The data in this page is all China landing data *

- China Customs; Meat International Group
2018

Exporter Country Market Share

- In July, Brazil remained the main exporter of China, with a 12% increase in market share compared last month.
- Uruguay and Argentina' s market share in China have declined. Other countries have remained basically unchanged.
- In July, Chile, Costa Rica, the United States and other non-mainstream exporting countries exported more beef products to China. Importers are willing to try more beef from the new country.

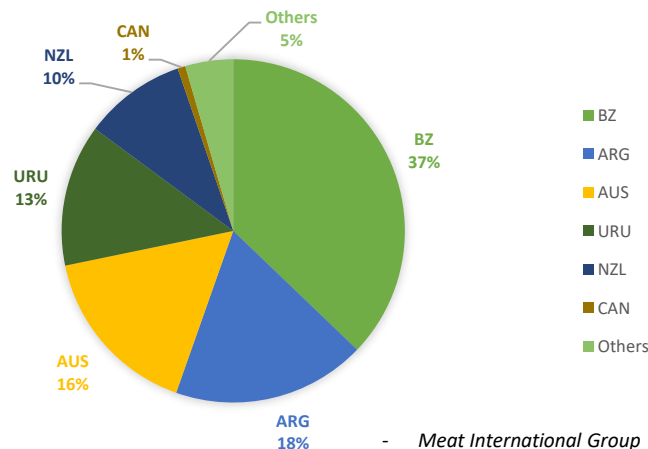
CHINA'S IMPORTED BEEF MARKET SHARE 201807



*Others includes:

US
South Africa
Chile
Costa Rica
Belarus
Italy
Ireland

CHINA'S IMPORTED BEEF MARKET SHARE 201806



China's Importer

The total imports amount of COFCO ranked the first in July.
Chinese TOP new players have:

- Chongqing Shangshe Import and Export Trade Co., Ltd.
- Qingdao Zhonghe Shengjie Food Co., Ltd.
- Maanshan Zhengpugang New District Comprehensive Bonded Zone Investment Co., Ltd.
- Shanghai Yihe Food International Trading Co., Ltd.

China 's main buyers (TOP20) take about 40% of the total monthly imports. The main players' purchase ratio has increased significantly and the industry concentration has increased.

In the first half of the year, more large buyers withdrew, which may have caused inventory pressure due to large purchases in the first half of the year, resulting in insufficient purchasing power in the second half of the year. The increase in the purchase volume of the Consignee indicates that the smaller purchase through the Consignee increases, and the customer of the consignee are mostly end users or regional distributors.

July 2018 China TOP20 Importer

Importer	MT	Class	MIG评级
COFCO	3679	Importer	AAA
CHONGQING GENERAL TRADING GROUP	3413	Importer	AA
BBCA GROUP	1863	Importer	A
PMI	1820	Importer	AA
JOC GREAT WALL CORP.	1741	Importer	AA
GRAND FRAM	1721	User	AA
KANG AN	1492	Consignee	A
HAOYUE GROUP	1425	Importer	AA
UNI FOOD	1389	Importer	BB
BUCC	1195	Consignee	BBB
ER SHANG	1156	Importer	A
SHANGHAI RESOURCE	1122	Importer	A
MAANSHAN ZHENGPUGANG NEW DISTRICT COMPREHENSIVE BONDED ZONE	1106	Consignee	BB
FORESUN GROUP	1094	User	A
YIHE FOOD	1048	Importer	B
QINGDAO UNITED HUATONG	1034	Importer	B
CHINA MERCHANT	1027	User	BBB
YOUHE	985	Consignee	B
GREEN LAND	967	Consignee	B

*Importer:
Purchase and Sale

End-user:
Own processing factory or restaurant

Consignee:
Can provide finance service and beef imports quota

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Product & Price

- With the coming of the peak season, China has increased the purchase of Shin/Shank, to meet restaurant and family consumption
- Trimming, Shin/Shank and Robbed Quarter Beef are imported as large raw materials for hot pot.
- Due to increased demand, the price of Shin/Shank continues to rise and both futures and spot prices have continued to grow.
- This may be related to the significant decline in exports from exporter countries to Hong Kong and Vietnam in June. Shin/Shank is also one main item imported by Hong Kong and Vietnam.
- Once the smuggling channel reduces the amount of purchases, it will push up the purchase volume and price of the mainland market. As shown on the right figure, the price of the Shin/Shan has gradually increased from June spot market.

China Imports Volume and Price in July 2018

Product	MT	AVG CIF China – USD/KG
Shin/Shank	7,644	5.4
Trimming	4,713	3.3
Flank	4,380	4.3
FFQ 80-90VL	3,925	3.8
Knuckle	3,872	5.3
Chuck	2,223	5.2
Neck	2,777	4.3
Shoulder	2,081	4.5
Outside Flat	2,027	5.2
Eye Round	1,905	5.8

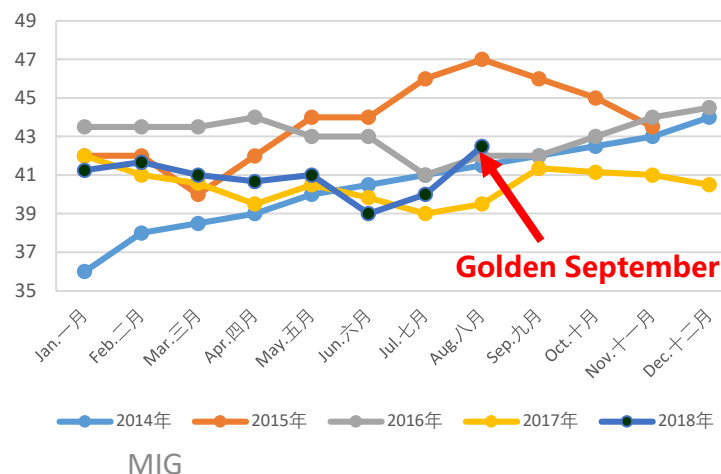
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*We do not consider the average price of Striploin and Cube Roll etc, because its average import price will be affected by complex things including different grades etc.

Striploin Imports Volume:
2,042MT

Navel End Brisket Imports
Volume:
1,777MT

China Shin/Shank Price History (CNY/KG)



MIG China Market Assessment

MIG Future-Spot Index

When the import volume of a certain product continues to be at a high level, Will increase the market's inventory digestive pressure, which will lower the price of the product, and will also lower the exporter's offer. We selected a representative FFQ of Brazilian products for tracking. To compare the gap between futures and spot, we call it the MIG index.

From March to the end of July, imports continue to be high, and the index is gradually decreasing, and even negative numbers mean that the market has been upside down. Until July, the price not only turned positive, but the value was large, which means that the market has arbitrage opportunities.

Some new information, one Brazilian exporter offer FFQ 7 Cuts with price of USD 4400/MT. But importer think the price is too high.

In spot market, the price dealt recently is RMB 37300/MT, which means USD 4400/MT.

FFQ 7 Cuts MIG SPOT&FUTURES Index



Importers who placed order in July can expect better margins

This index means landing cost minus the cost with timely deal price.
For example, in July, the deal price for August shipment is USD 4050/MT. Using the relative exchange rate 6.7, the cost is CNY34030/MT.
The landing price in July is USD 4650/MT. The deal for this was made in March. Using the relative exchange rate 6.3, the cost is CNY35527/MT.
Index= CNY 35527-34030/MT=CNY1497/MT.

进口商盈利预期
Importer Earnings expectation

进口商亏损预期
Importer Loss Expectation

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MIG China Market Assessment

China's purchases in 2018 have greatly exceeded the 2017 level and the procurement capacity of more than 80,000 tons has been maintained, which may cause China's supply in September-November to exceed expectations. We remain cautious and there will be greater inventory pressure in China in the future.

The rising exchange rate has a great impact on China, and the procurement cost of products has risen. Although the futures prices in South America and Australia have declined while the exchange rate has risen, the price decline is temporary, and the impact of China's exchange rate on purchasing power is a long-term impact.

If overseas prices rebound in the fourth quarter of this year, coupled with China's inventory pressure, this will greatly reduce China's purchasing power, the market has no incentive to maintain such high purchases, because consumption has not increased significantly.

October will be a key month for the Chinese market and MIG predicts that China's purchases will likely fall sharply after October, which is subject to double pressure from inventory and exchange rates. At the same time, the purchase of October for China's CNY consumption has been basically completed, and orders after October may not be guaranteed to be available to the end-user before the Spring Festival.

The mentality of Chinese buyers

The mentality of Chinese buyers was affected by the market conditions that continued to rise in 2017. In the first half of the year, the strong purchasing intentions were maintained. However, the exchange rate shocks and excessive inventory in the second half of the year made many buyers feel threatened. China's inventories have been at a high level this year. The pressure of the inventory has not been released. More buyers hope to release the stocks during the peak season in October but this may cause the market to release together, which will lead to sales pressure and reduce the selling price of the product.

Buyers who have previously maintained a light stock also expect a lower price point of October to purchase and look forward to a better position in the market next year.

MIG's assessment of the August purchase remains: **a wait-and-see attitude**

汇率Exchange Rate

BRLUSD



ARSUSD



CNYUSD Exchange Rate

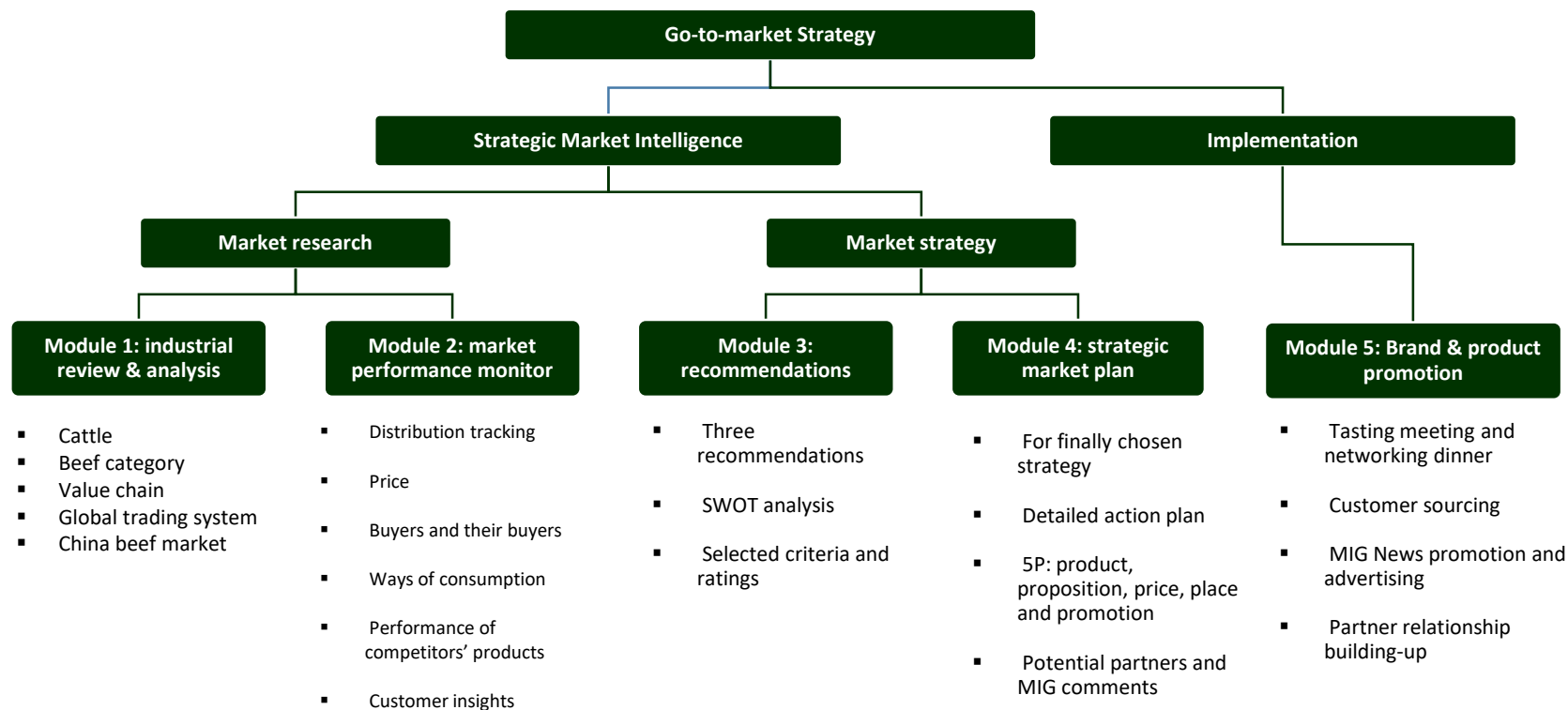


20180903 Sina Finance

Class	COST	VAT	TARIFF	LAST MONGTH USD/RMB	CURRENTUSD/RMB	LAST MONTH COST COEFFICIENT	CURRENT COST COFFICIENT	M ON M
S.A	1	10%	12%	6.64	6.84	8.18048	8.42688	3%
AUS	1	10%	7.2%	6.64	6.84	7.829888	8.065728	3%
NZL	1	10%	0.0%	6.64	6.84	7.304	7.524	3%

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MIG CONSULTATION SERVICES



- Modularized process
 - ✓ Flexibility
 - ✓ Quick evolution
- Standardized product
 - ✓ Reliable quality
 - ✓ Predictability
- Customized service
 - ✓ Efficiency & efficacy
 - ✓ Responsive
- Accumulative pricing
 - ✓ Easy to try and see

Reference note:

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Meat International Group

MIG International Business:

Meat International Group (MIG) is the only consulting company focusing on Imported Beef in China.

MIG started to do consulting and research on imported beef from 2011.

MIG Club covers over 50% of importers whose import volume takes around 80% of total China beef imports.

MIG have MEATNEWS covers over 80% of business people in beef industry in China.

We speak with data, caring for every detail with full heart.

Through instant accumulation of trading data at home and abroad, we gradually build up a huge database of meat industry market in China, only aiming at providing professional informative service, trading strategies and instructive advice to our clients with an objective attitude, helping you seize great opportunities of identifying real buyer, obtaining real purchasing price,

evading any risks causing by strong turbulence in business price to arrange reasonable trading.

MIG provide "China Imported Beef Marketing Report" to MIG CLUB member.

MIG CLUB.

MIG俱乐部

MIG consulting International service:

Beef All Cuts Price (Weekly)

Imported Price and Quantity from All Countries (by Cut and Plant)

China Main Importers and Their Partners

Tracing Back to Your Product Sales Price and Distribution

China Customer Recommendation and Reference

Feedback from China Customer

China Imported Beef Demand and Price Forecast

Brand Promotion Activity and Tasting Event

Other China Beef Market Related Information

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