MinervaFoods

INDUSTRY OVERVIEW
2Q20

Barretos, July 22, 2020 – Minerva Foods is the South American leader in beef exports, which also operates in the processed foods segment, selling its products to over 100 countries. Currently, the Company has a daily slaughtering capacity of 25,480 head of cattle and a daily beef deboning capacity equivalent to 27,100 head of cattle. Present in Brazil, Paraguay, Argentina, Uruguay and Colombia, Minerva operates 24 slaughter and deboning plants and 3 processing plants.

HIGHLIGHTS BY COUNTRY

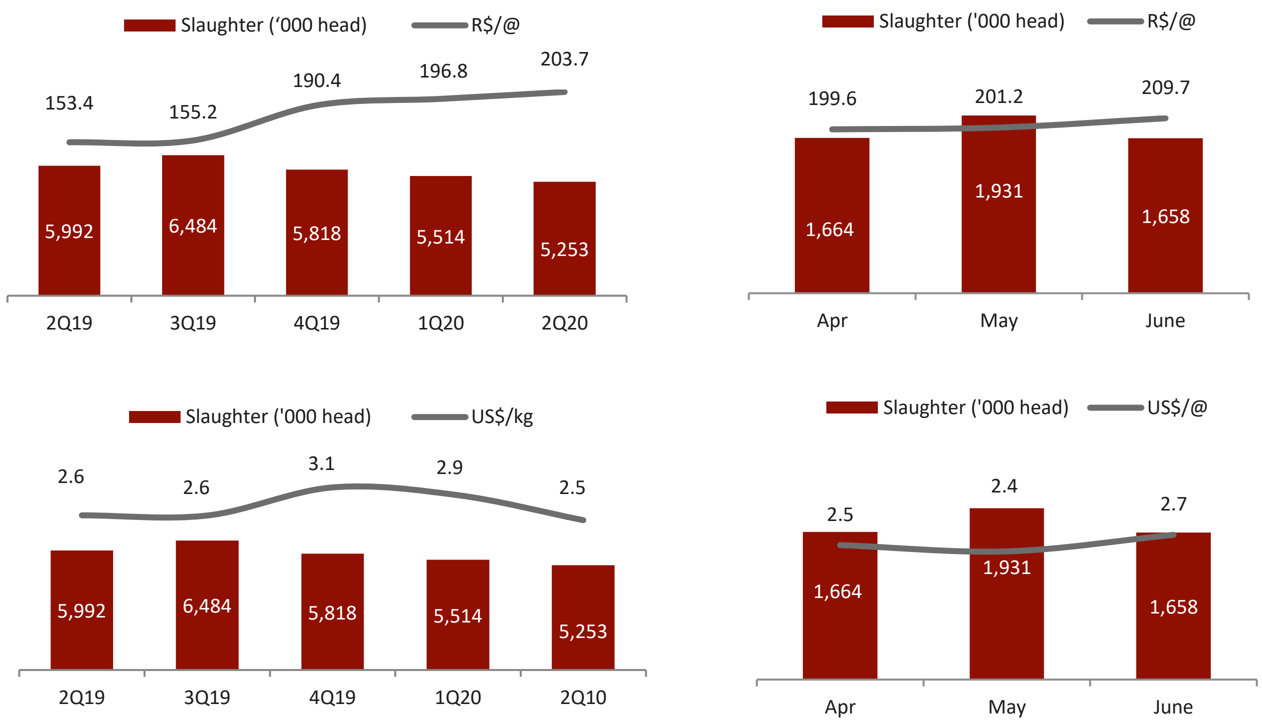
Brazil

Cattle Supply

Slaughter volume totaled around 5.3 million head of cattle in 2Q20, dropping 12% from 2Q19. In this scenario, the *arroba* price (indicator: finished cattle Esalq/BM&F – state of São Paulo) averaged R$203.7 in 2Q20.

Cattle prices in dollars reached US$2.5/kg in 2Q20, dropping 14% quarter on quarter and 3% year on year, due to the depreciation of the real against the U.S. dollar in the period.

Figures 1, 2, 3 and 4 – Cattle Slaughter and Average Cattle Price – R$/@ and US$/kg

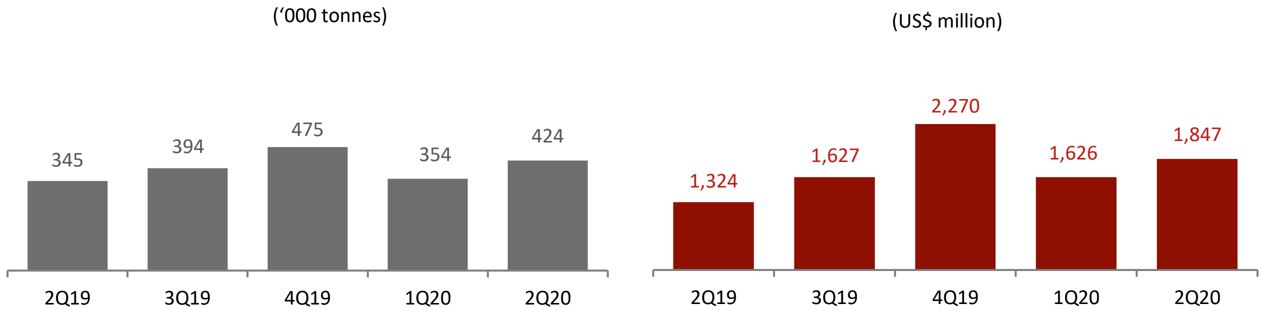


Source: Ministry of Agriculture, Livestock and Supply, CEPEA/ESALQ | 2Q20 Preliminary Slaughter Data

Export market

Brazilian beef exports reached 424,000 tonnes in 2Q20, an increase of 20% over 1Q20 and 23% over 2Q19. Beef export revenue reached US$1.8 billion in 1Q20, climbing 14% over 1Q20 and 39% over 2Q19, this performance reflects the growing demand for Brazilian beef, especially from Asia.

Figures 5 and 6 – Fresh Beef Exports



Source: Ministry of Development, Industry and Foreign Trade | Preliminary Export Data

Beef prices in dollars averaged US$4.4/kg in 2Q20, approximately 13% higher than in 2Q19. Average beef quarter prices in reais was R$23.5/kg in 2Q20, an increase of 15% over 1Q20 and 56% over 2Q19, as a result of the global demand and the impact of currency devaluation.

Figures 7 – Average Fresh Beef Price

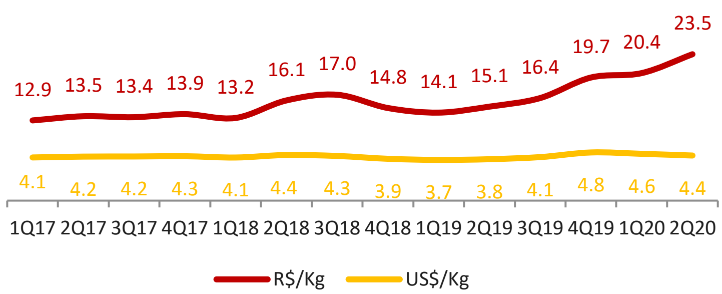
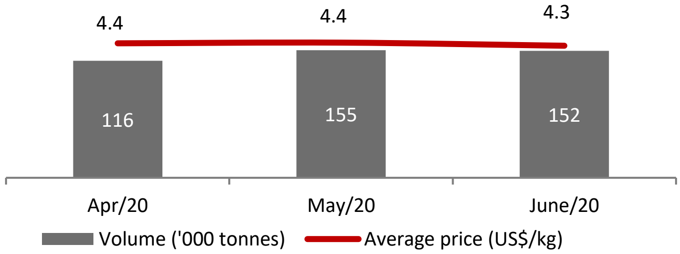


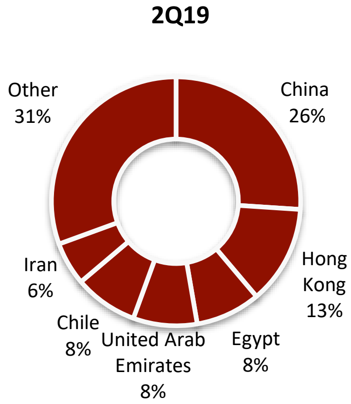
Figure 8 – Brazilian Fresh Beef Exports

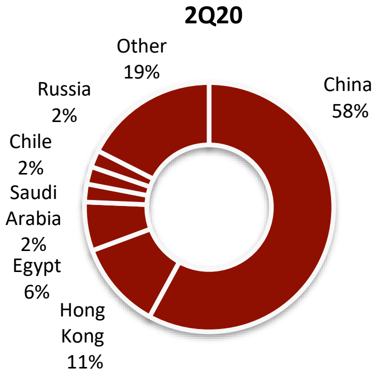


Source: Ministry of Development, Industry and Foreign Trade

China and Hong Kong continued to be the main destinations of Brazilian beef exports, accounting for almost 70% of the total (China +32 p.p. 2Q20 vs. 2Q19). The third main destination of Brazilian exports was Egypt, with 6% of total beef exports, followed by Saudi Arabia, with 2%.

Figures 9 and 10 – Export Destinations (% of Revenue)





Source: Ministry of Development, Industry and Foreign Trade

Domestic market

Beef consumption in the Brazilian domestic market followed the seasonal trend for the second quarter, marked by sluggish demand, mainly reflecting the decline in the food service segment in the period, due to the closure of bars and restaurants. The prices were flat, reflecting the lower availability of beef in the domestic market.

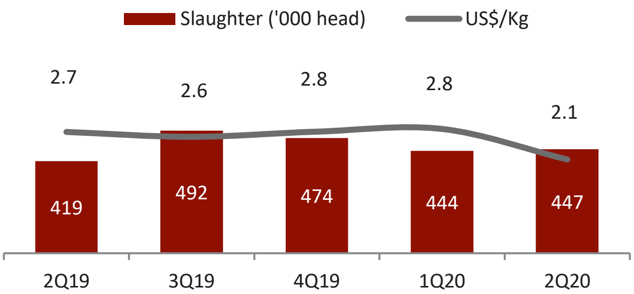
Paraguay

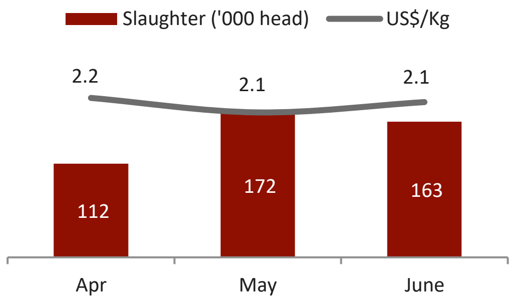
Cattle Supply

In 2Q20, 447,000 head of cattle were slaughtered in Paraguay, around 7% more than in 2Q19 and in line with 1Q20.

Cattle prices averaged US$2.1/kg in 2Q20, down 25% from 1Q20 and 23% lower than 2Q19.

Figures 11 and 12 – Cattle Slaughter and Average Cattle Price





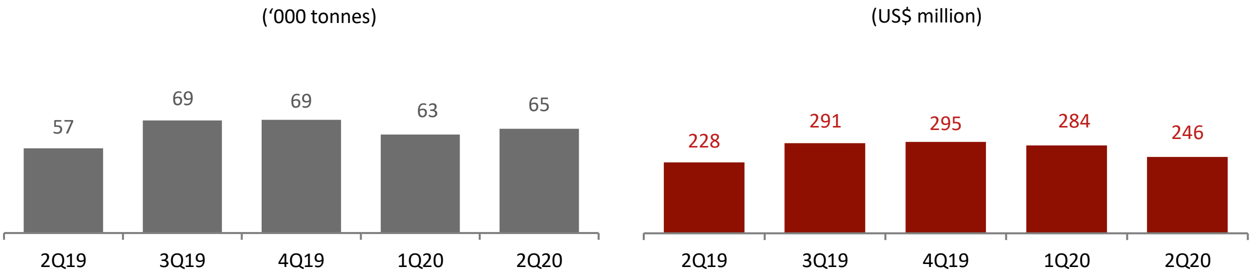
Source: OCIT – Oficina Consultiva y de Investigación Técnica | 2Q20 Preliminary Data

Export market

Paraguayan beef exports totaled 65,000 tonnes in 2Q20, an increase of 15% over 2Q19 and 4% higher over 1Q20. Beef export revenue reached US$246 million in 2Q20, 8% higher than in 2Q19.

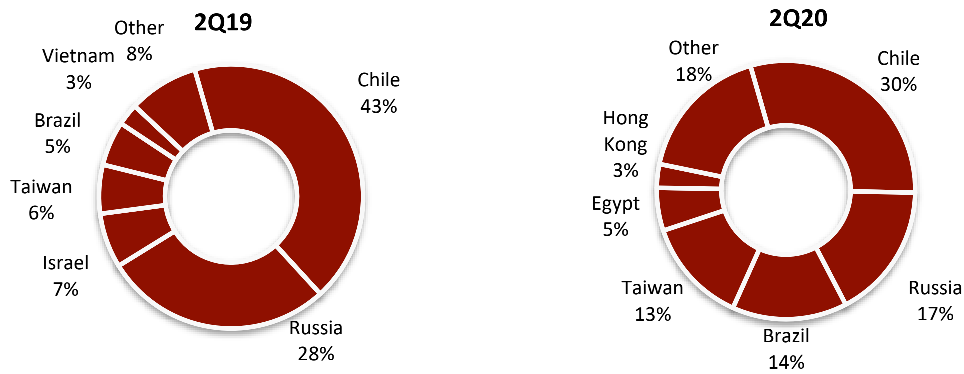
Chile maintained its position as the main destination of Paraguayan exports, with 30% of the total, while Russia was the second main destination, with 17% of the total.

Figures 13 and 14 – Fresh Beef Exports



Source: OCIT – Oficina Consultiva y de Investigación Técnica

Figures 15 and 16 – Export Destinations (% of Revenue)



Source: OCIT – Oficina Consultiva y de Investigación Técnica

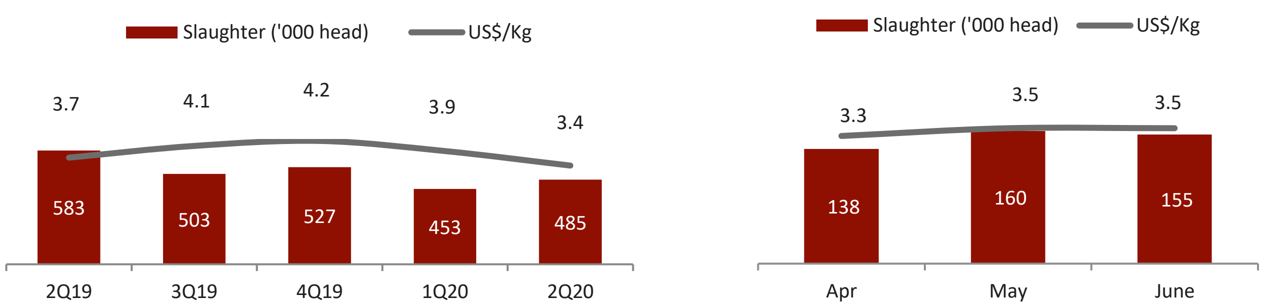
Uruguay

Cattle Supply

In 2Q20, 485,000 head of cattle were slaughtered in Uruguay, up 7% over 1Q20.

The cattle prices averaged US$3.4/kg in 2Q20, dropping 13% quarter on quarter and 7% year on year.

Figures 17 and 18 – Cattle Slaughter and Average Cattle Price



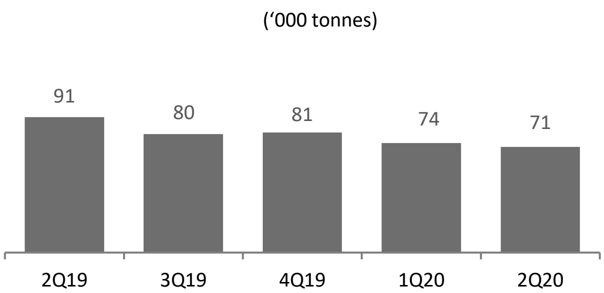
Source: INAC

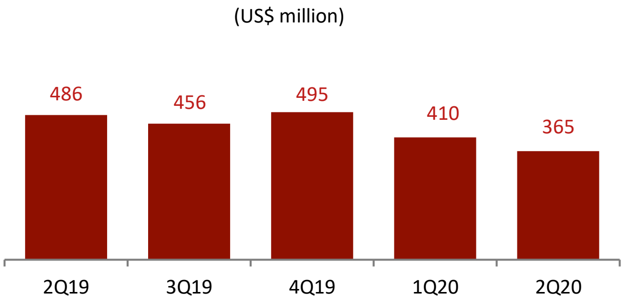
Export market

Uruguayan beef export volume totaled 71,000 tonnes in 2Q20, and the revenue export totaled US$365 million.

China continued to be the main destination of Uruguayan exports in 2Q20, with 47% of the total, followed by the United States and the Netherlands, with 26% and 6% of the total, respectively. It is worth mentioning the growth of the United States (+10 p.p. YoY) and Canada, reflecting the suspension of activities in the U.S. beef industry due to the advance of the COVID-19 pandemic.

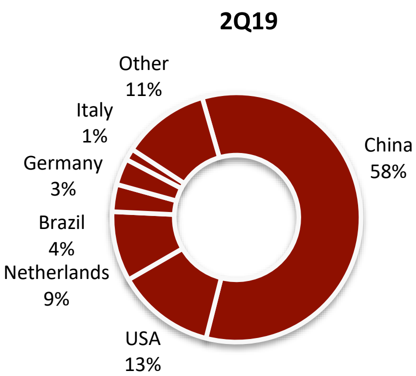
Figures 19 and 20 – Fresh Beef Exports

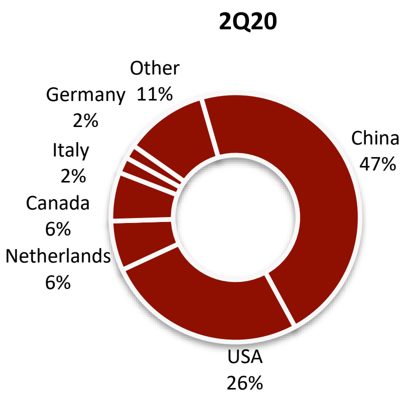




Source: Penta-transaction

Figures 21 and 22 – Export Destinations (% of Revenue)





Source: Penta-transaction

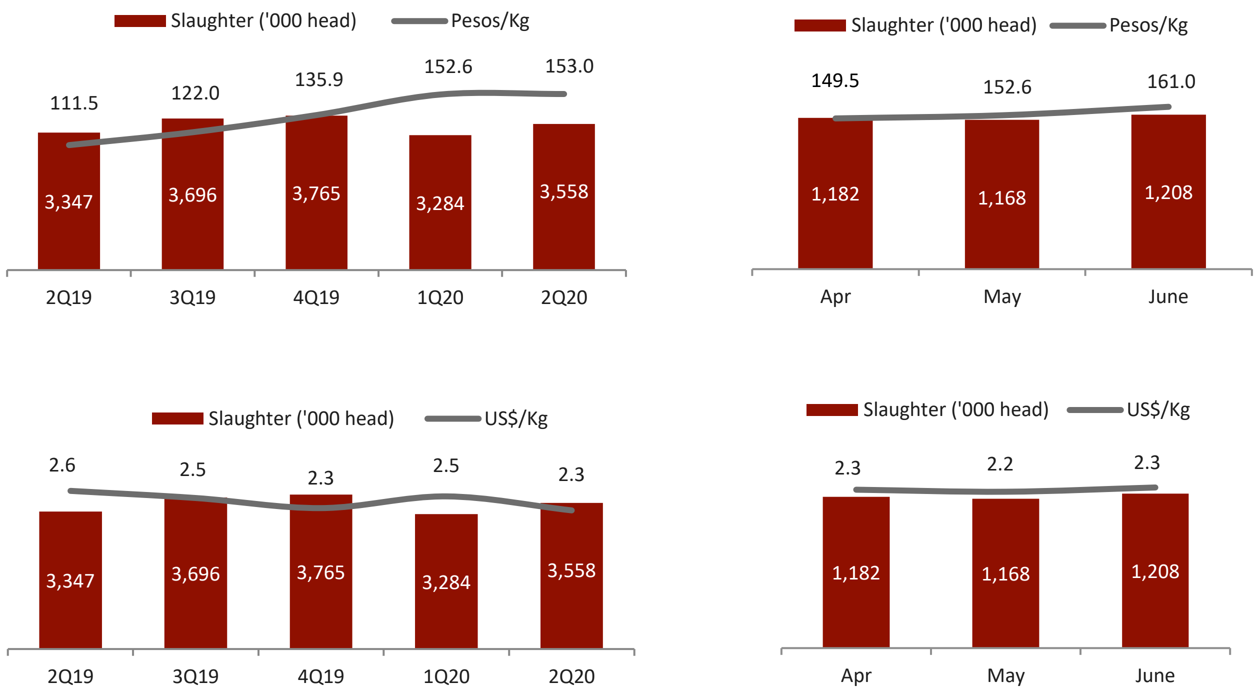
Argentina

Cattle Supply

Argentina slaughtered 3.6 million head of cattle in 2Q20, an increase of 8% over 1Q20 and 6% over 2Q19. The growth in slaughter reflects the high global demand for Argentine beef.

The average price of cattle in Argentina reached ARS153.0/kg in 2Q20, flat over 1Q20 and 37% higher than in 2Q19. It is worth noting that the significant increase in the annual comparison was partly due to the country's high inflation. Average cattle prices in dollars dropped 9% from 1Q20 and 12% from 2Q19.

Figures 23, 24, 25 and 26 – Cattle Slaughter and Average Cattle Price – ARS/kg and US$/kg

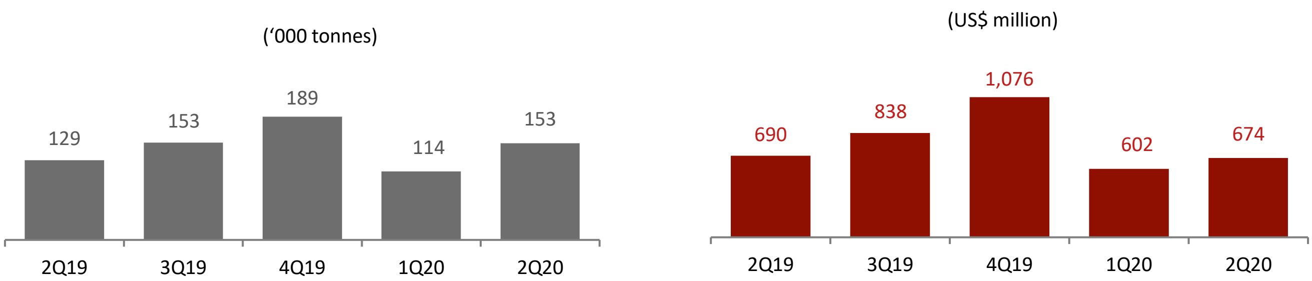


Source: ABC Consortium | 2Q20 Preliminary Data

Export market

Argentina exported 153,000 tonnes of beef in 2Q20, an increase of 34% over 1Q20 and 18% over 2Q19. Export revenue totaled US$674 million, up 12% over 1Q20 and in line with 2Q19.

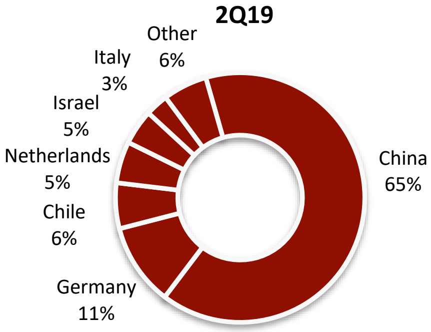
Figures 27 and 28 – Fresh Beef Exports

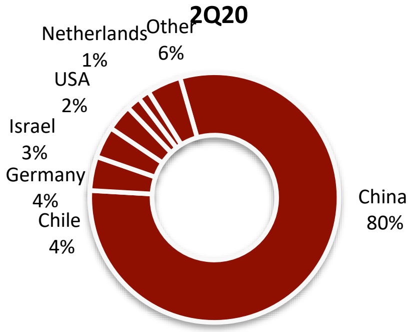


Source: IPCVA – Instituto de Promoción de La Carne Vacuna Argentina | 2Q20 Preliminary Data

China continued to be the main destination of Argentine beef exports, with 80% of the total, followed by Chile and Germany, which each accounted for 4% of Argentine exports. It is worth highlighting the growth in the United States in 2Q20, which usually consume higher value-added products.

Figures 29 and 30 – Export Destinations (% of Revenue)





Source: *INDEC - Instituto Nacional de Estadística y Censos | 2Q20 Preliminary Data*

Domestic market

The domestic beef market in Argentina continued to be affected by a long-lasting economic crisis. Causing a reduce on the consumption of higher added-value cuts and a shift to processed foods such as pates, sausages and breaded products.