

Daily Livestock Report

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As market participants start the day, here's the latest information we know regarding the cyber attack on JBS and implications for the market.

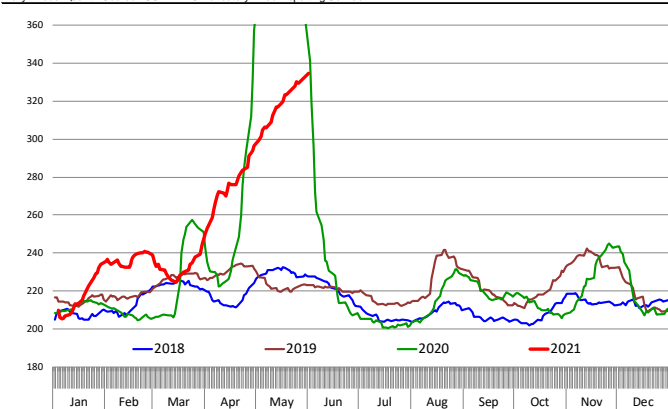
Production is expected to resume at most plants today, at least at some level! In a market notice yesterday (see full JBS note on this on page 2), the company noted that "systems are coming back online...the vast majority of the beef, pork and poultry and prepared foods plants will be operational tomorrow." What is unclear at this time is the level at which plants will be able to operate. Yesterday, USDA estimated total cattle slaughter at 94k head vs. 121k head the week before, a 22% decline which coincides with the JBS share of production (see our note from yesterday on this). USDA also estimated hog slaughter at 390k head vs. 485k head the week before, a 19.5% decline that is also consistent with the JBS share of pork slaughter capacity. The impact on broiler slaughter appeared to be very limited as USDA estimated Tuesday broiler slaughter at 21.066 million vs. the previous week at 22.200 million. It will be interesting to see what USDA estimates of cattle/hog slaughter will be today and the rest of the week. Keep in mind, however, that these numbers are just estimates based on the number of shifts USDA expects to run for that day. Actual numbers will not be known until a couple of weeks from now when actual plant inspector reports are tabulated by NASS.

The disruption may impact spot market pricing for much of the week. Buyers for major retailers and foodservice companies will be scrambling to find fill in supply in order to run production. Product for delivery early this week was likely on the road or loaded up so there probably was not a major immediate impact. However, even a one or two day disruption will tend to quickly clean up spot supplies. Those buyers that tend to buy in the spot market may find that what was already a very tight market suddenly became impossible. We suspect that as the company returns to full production, its most immediate concern will be to fill commitments made to major accounts. This will tend to leave little available for smaller buyers. For those that do not regularly follow this market, the increase in price may appear as a direct result of the cyber attack. But as the chart above shows, wholesale beef and pork prices have been trending higher for the last two months. The most recent attack will only exacerbate what was already a very difficult market, one that reflects the resurgence in demand post COVID lockdowns; the bullwhip effect from as food service supply chain recovers; the tight labor situation along the supply chain; and various logistics bottlenecks.

Retail meat prices are expected to trend higher through the summer but this cyber attack will be only a small part in the big picture. The tendency will be to view the attack as the reason why prices are going up and, if consumers panic, that could end up being a self fulfilling prophecy. The reality, however, is that prices will be up due to the fact that processing capacity simply cannot keep up with the level of demand

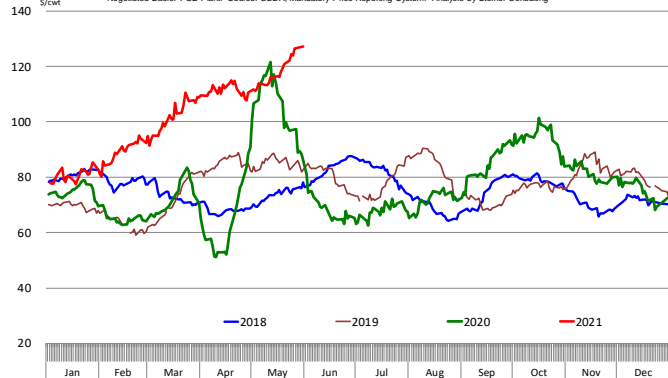
CHOICE BEEF CUTOOUT VALUE

Daily Prices. \$/cwt. Source: USDA/AMS Mandatory Price Reporting Service



DAILY OVERALL CUTOOUT PORK PRIMAL VALUE

5/cwt. Negotiated Basis, FOB Plant. Source: USDA, Mandatory Price Reporting System. Analysis by Steiner Consulting



currently in the market. Retail buyers are competing with foodservice buyers and both of them are competing with foreign buyers. There is only so much meat that can be processed in a given day regardless of how much livestock and poultry is out there. As much as vegan meals and faux meat may be trending in social media posts, the silent majority is still looking to get a nice pork chop, a juicy burger, and grilled chicken topped with bacon. A USDA report published yesterday showed another week of very strong sales for 4th of July features. **Forward beef sales for product delivering 22-60 days out were more than double what they were a year ago and 50% higher than the five year average.** Prices may be high but so far that has not discouraged buyers from putting big orders in. And this is true for both domestic and export customers. For the second consecutive week, export sales to non-NAFTA markets were explosive and we expect to see another week of big sales to China. The supply disruption from the hack adds one more complication to a meat supply chain stretched very thin.

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NOTICE TO THE MARKET

JBS USA AND PILGRIM'S ANNOUNCE PROGRESS IN RESOLVING CYBERATTACK

JBS S.A. ("JBS" – B3: JBSS3; OTCQX: JBSAY), in accordance with the terms of the Brazilian Securities Commission (CVM) Instruction no. 7/2020, dated August 26, 2020, communicates to its shareholders and the market in general that it was informed by JBS USA and Pilgrim's that both companies have made significant progress in resolving the cyberattack that has impacted the company's operations in North America and Australia. Operations in Mexico and the UK were not impacted and are conducting business as normal.

In the U.S. today, JBS USA and Pilgrim's were able to ship product from nearly all of its facilities to supply customers. The company also continues to make progress in resuming plant operations in the U.S. and Australia. Several of the company's pork and poultry plants were operational today and its Canada beef facility resumed production.

Systems are coming back online and JBS USA is not sparing any resources to fight this threat. Given the progress IT professionals and plant teams have made in the last 24 hours, the vast majority of the beef, pork, poultry and prepared foods plants will be operational tomorrow.

"JBS USA and Pilgrim's are a critical part of the food supply chain and we recognize our responsibility to our team members, producers and consumers to resume operations as soon as possible," said André Nogueira, JBS USA CEO.

JBS USA has received strong support from the U.S., Australian and Canadian governments, conducting daily calls with officials in an effort to safeguard the food supply.

The company is not aware of any evidence at this time that any customer, supplier or employee data has been compromised.

São Paulo, June 1, 2021

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Investor Relations Officer

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