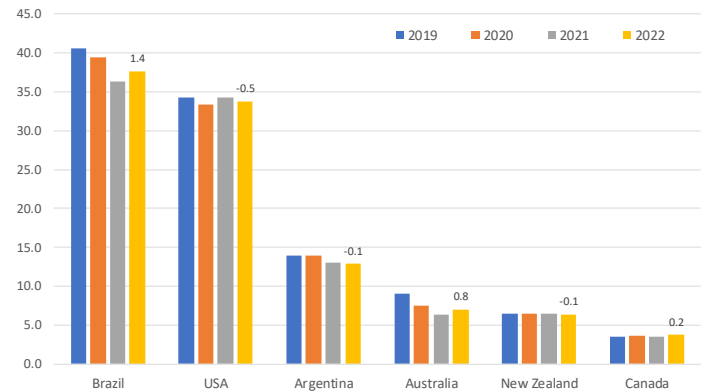


US beef imports are off to a strong start. Weekly data from USDA-AMS show that, through the week ending April 9, **US imports of fresh/frozen beef were 363,951 MT, 84,016 MT or 30% higher than the same 15 week period a year ago.** Higher imports from Brazil have accounted for more than half of the overall increase. At this time last year Brazil accounted for 2% of US imports of fresh/frozen beef but currently its market share has jumped to 15%, making it the third largest imported beef supplier, behind Canada and Mexico. As we noted in a previous update a month or so ago, the volume of beef that Brazil can potentially ship to the US may be capped by the limited quota that it has available. Different from New Zealand, Australia, Argentina or Uruguay that have their own quota, Brazilian imports are counted against the general 65,000 MT quota available to all countries. That quota was filled at the start of April and any Brazilian beef entering the US between now and the end of the year will pay an “out-of-quota” tariff of 26.5%. The duty is paid on the value of the product shipped, so more expensive cuts are penalized more. Much of the fresh beef that Brazil ships to the US are lean beef trimmings. Data on import composition is not that exact but USDA notes that about 75-80% of the Brazilian fresh beef exports to the US are boneless trimmings. Current price of imported 90CL beef is around \$305/cwt and the price of imported 85CL boneless beef is around \$280/cwt.

Many market participants expected Brazilian beef shipments to the US to turn to a trickle once the quota was filled, but that has not been the case. **Brazil shipped over 11,000 MT in March, with much of that product likely to enter the US in April and pay the higher tariff.** US importers note that Brazil continues to offer meat for delivery in May and June at prices that are competitive with other supplying countries. It is quite telling that Brazilian processors are willing to absorb a +70 cent tax, suggesting that the next best bid they are getting from smaller markets is far worse. The weaker Real currency helps offset only a small portion of this. **The reason why US imports are up 30% so far this year is that US prices are far better than most countries can offer, with the exception of a few Asian countries.** There are two main factors why Brazil has turned to the US and may ship as much as 100,000 MT of beef this year. First, they have the meat. USDA is currently expecting Brazilian cattle slaughter to be up 1.4 million head or 3.9% from the previous year. Slaughter in the other five top exporting countries (see chart) is expected to be 300k head higher, mostly because Australian slaughter is expected to be higher in the second half of the year. US and Canadian cattle inventories have declined in recent years and will likely be lower in 2023 and 2024 due to ongoing beef cow liquidation and smaller calf crops. The cattle herd in Brazil, on the other hand, is expected to be over 276 million head at the start of 2023, 32 million head or 13% higher than on January 1, 2020.

Cattle Slaughter in Key Beef Exporting Countries. Million Head.

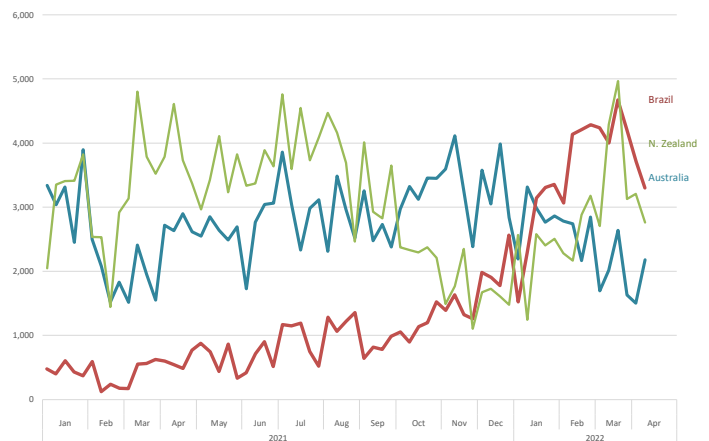
Source: USDA-FAS. Analysis by Steiner Consulting



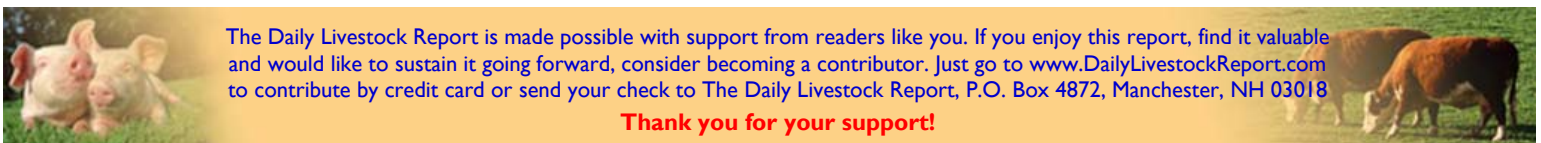
** Label for 2022 shows expected change in million head from the previous year

US Weekly Imports of Fresh/Frozen Beef from Brazil and Australia. Metric Ton

Source: USDA-AMS. Analysis by Steiner Consulting



Brazilian cattle producers have managed to expand despite weak domestic demand, high feed costs and poor pasture conditions. The reason for this has been primarily explosive demand in China. In half a dozen years China has become the biggest beef buyer in the world, relying on imports to bolster domestic consumption. But **recently Chinese demand has been uncertain.** Last fall Chinese officials temporarily banned Brazilian beef imports due to an occurrence of BSE. Access was restored at the start of the year but more recently product flow has been affected by COVID lockdowns. **Until/unless Chinese buyers come back in the market, Brazil will keep shipping to the US, the higher tariff just the cost of doing business.**



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