

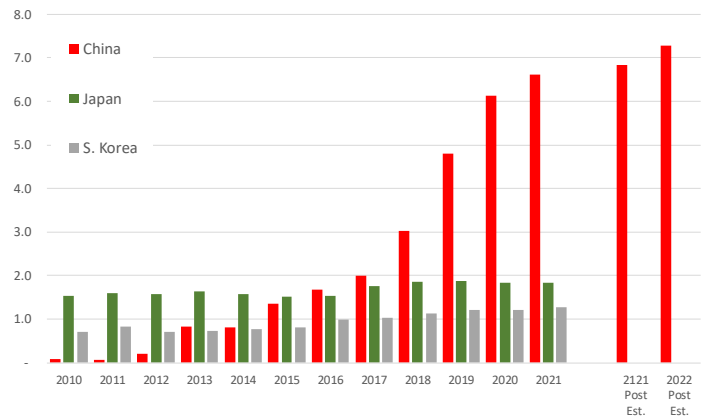
Over the weekend a number of news sources reported that **Brazil had suspended its beef exports to China following confirmation of two cases of atypical BSE in the country.** The news had little impact on US cattle futures this morning, probably because of the experience of the last time such cases were announced in 2019. At the time the suspension lasted only a couple of weeks, giving time to Chinese authorities to review the information coming out of Brazil.

Even as the news has so far failed to make any waves, it is especially important to the US market as it involves the biggest beef supplier in the world and the world's biggest buyer. USDA estimates that **Chinese beef imports** in 2021 will be 6.6 billion pounds on a carcass weight basis. This is **more than double the combined amount of beef that Japan and S. Korea will import this year.** Recently the US ag attaché in Beijing issued a report that pegged Chinese beef imports for 2021 at 6.8 billion pounds and then projected imports for next year at 7.3 billion. A decade ago, China was a minor beef buyer in the global market, with imports in 2011 estimated at just 60 million pounds compared to 1.6 billion for Japan and 830 million for South Korea. In order to fill the ever growing appetite for beef, Chinese buyers have become a constant presence in the world market, especially in South America. Currently, China and Hong Kong take about 60% of the beef that Brazil sells in the world market as well as 70% of the beef exported by Argentina and Uruguay. The suspension in 2019 lasted just a couple of weeks, and why it may be just as short this time around, because China needs Brazilian beef maybe even more than Brazil needs China. While Chinese officials delist plants now and then, often benefiting from the price declines that come as a result, they likely have no desire to cut Brazil off because they have no way to replace the beef they currently buy there. That dependency has only grown since June when Argentina, the second largest beef supplier to China, imposed export controls. In July Argentine beef exports to China were down 30% and those export controls are now scheduled to continue until at least October and likely beyond.

Recent disruptions to beef supplies from South America and the inability to pull even more product from the continent has caused Chinese buyers to look at other markets to fill needs. But Chinese beef imports from Australia remain limited, as much a function of reduced product availability there as the political tension between the Chinese and Australian governments. New Zealand is a significant global supplier but it is also highly seasonal, with very little product available between late June and early October. It is no surprise, however, that China has become more active in the US market and it is expected to remain active in the coming years. Tomorrow we will provide an update on US trade data for July. For the month US shipments to China were 51 million pounds, the highest monthly export volume ever and through the first seven months of the year, shipments to China were 282.8 million pounds compared to 119.1 million for all of last year. Some of the increase in Chinese purchases this year appear to have replaced beef that was coming through the HK back door (see chart). As China looks to fill its ever increasing demand, demand for US beef will likely continue to increase for the remainder of 2021 and beyond.

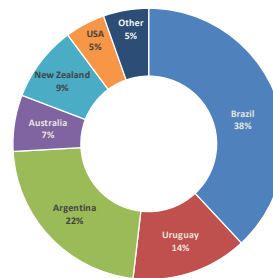
## Beef Imports from the Three Top Asian Markets: China, Japan and S. Korea

Billion Pounds Carcass Wt. Basis. Source: USDA-FAS. Analysis by Steiner Consulting



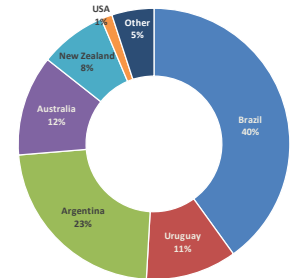
## Share of Chinese Beef Imports by Market YTD

Data Source: China Customs Administration. Analysis by Steiner Consulting



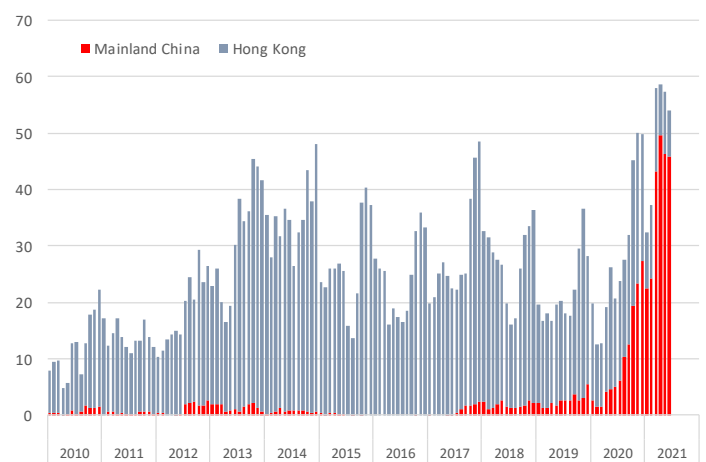
## Share of Chinese Beef Imports in 2020

Data Source: China Customs Administration. Analysis by Steiner Consulting



## US Monthly Exports of Beef and Veal to China/Hong Kong

Million Lb. Carcass Wt. Basis. Source: USDA. Analysis by Steiner Consulting



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