



REPORT FOR OCTOBER 2022 YTD TRADE

October exports start the last quarter of 2022 on a stable note.



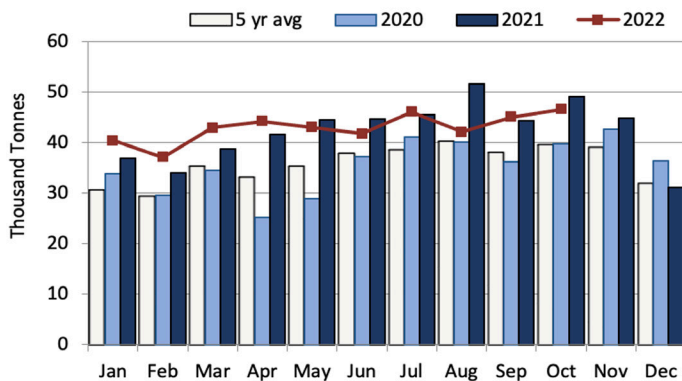
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Canadian beef exports in October 2022 of 46,557 tonnes valued at \$434 Million, were down 5% in volume and down 8% in value from 2021. After a dip in August, exports increased in both September and October. Federally inspected slaughter for the same five-week period was down 3.6%. Slaughter numbers have been quite stable throughout

2022 they have been minimally down in the second half of the year.

Year-to-date beef exports of 428,910 tonnes valued at \$3.9 billion were up 5.3% in value and were stable in volume from the same period in 2021.

Canadian Monthly Beef and Veal Exports



Source: Statistics Canada

Export volumes were steady to the US, increased to Japan (15%), Mexico (11%), SE Asia excluding Taiwan (15%), South Korea (65%) and MENA (94%), but decreased to Hong Kong and Macau (-42%), China (-99%), Taiwan (-2%), EU 27 (-7%) and UK (-100%).

Beef Exports to the European Union – 27 under CETA

Beef exports to the EU-27 of 988 tonne valued at \$18.7 million were down -6.7% in volume and up 7.5% in value. The average unit price also increased +15.2% to \$19/kg. While only using 2% of allowed quota to the EU, there is a lot of room for growth.

Source: Statistics Canada and AAFC

In 2017 Canada and the EU-27 established annual duty-free tariff-rate-quotes for fresh/chilled beef. In 2017, Canada had access to only 2,584 metric tonnes of fresh/chilled beef and 695 MT of frozen beef. Each year since exports have increased to allow a final volume of 35,000 MT of fresh/chilled beef and 15,000 MT of frozen beef from 2022 onwards.

When Canada first signed the CETA trade agreement with the EU-27, they expected that by the fifth year of it, Canada would be accessing possibly an additional \$600 million dollars in beef exports. As seen with this year's exports, that target has been grossly underachieved. One of the biggest reasons exports to the EU-27 have not flourished is because the EU only accepts beef that has been raised without hormones and is registered under the "Canadian Program for Certifying Freedom from Growth Enhancing Products for the Export of Beef to the EU". Other barriers to trade include rules around how carcasses are washed at the processing plant. Since the EU doesn't recognize the Canadian food safety system as a whole the Canadian processors have to re-work their operations for special Europe processing sessions and then switch back to normal Canadian production requirements. This greatly increases the cost to export to the EU and makes it much less profitable.

Currently, the Netherlands is responsible for 40% (391 tonne) of Canada's beef exports to the EU-27, followed by Italy at 29% (291 tonne) and Belgium at 17% (172 tonne). In previous years, the United Kingdom was the biggest importer (1,415 tonne in 2020 and 657 tonne in 2021), but there has been zero exports to the UK in 2022.

When looking at specific primals exported to the EU, it is difficult to draw conclusions from the data. The main category with 58% of the exports is "other". This category pulls from general codes such as "bovine cuts bone in, nes, fresh or chilled". While typically only accounting for 1-2% of export coding to most countries, "carcass and half carcass" accounts for 41% of the beef exported to the EU. The next largest category was loin, only accounting for 1% of the exports or \$132 thousand dollars.

Traditionally, most of the EU's exported beef demand is for grass-finished beef, with their main suppliers being from Brazil, Argentina and Uruguay. While most of the EU has a preference

CANADIAN BEEF TRADE

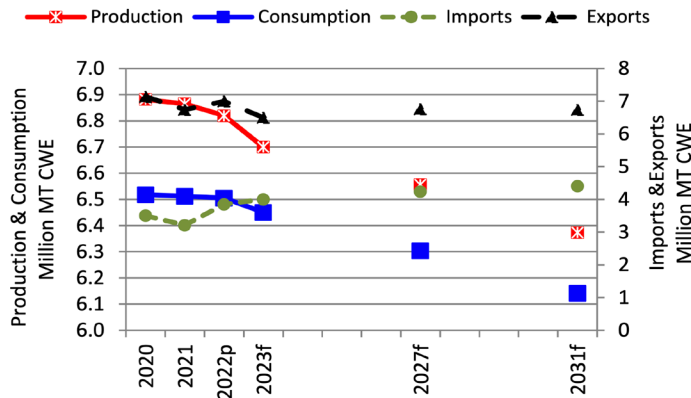


for yellow fat beef, the UK (who has split from the EU in the past two years) actually has a preference for white fat and grain-fed beef. In actual terms, Ireland contributed the most to the overall increase in UK import volumes in 2021. However, notable growth also came from Uruguay, Brazil, Germany and Poland, but from lower bases. Canada is currently negotiating a trade deal with the UK, hoping to gain access with Canadian standard quality beef.

down 99% in volume and value from the same period in 2021. Rib cuts represent 0.03% of total exports to the EU-27.

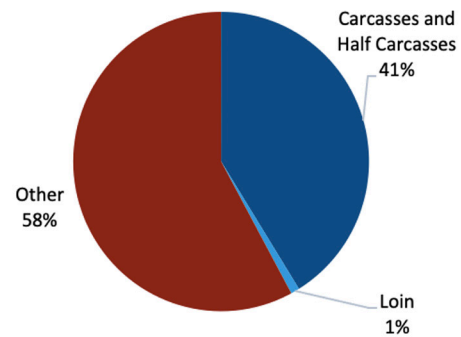
- Offal cuts of 0.1 tonnes valued at \$2.1 thousand were up 179% in volume and up 1026% in value over the same period in 2021. Offal cuts represent 0.01% of total exports to the EU-27.
- There were zero chuck, brisket, hip, and flank and plate cuts exported the EU-27 in 2022.

EU-27 Beef Disposition

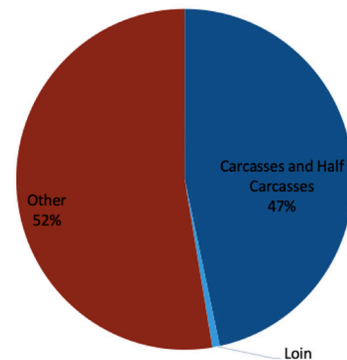


Source: USDA, FAS GAIN, PSD, FAO

Canadian Beef Export Volumes to EU-27 by Product Type 2022 ytd



Canadian Beef Export Values to EU-27 by Product Type 2022 ytd



Going forward, EU-27 beef production is forecast to fall by 6.5% (0.45 million tonnes) between 2022 and 2031, driven by a decline in the cow herd. Exports are expected to decline by 3.7% and consumption to decline 5.6% by 2031, there could be room for more imported beef (+14.5% from 2022 to 2031). If Canada can come to an agreement with the EU about production standards, this could open an opportunity for capitalizing on the available quota.

Beef Exports to the EU-27, by Primal January to October 2022

- Other cuts at 571 tonnes valued at \$9.8 million were up 26% in volume and up 38% in value from the same period in 2021. Other cuts represent 58% of total exports to the EU-27.
- Of all exports to the EU-27, 41% of it is coded as carcass and half carcass, so there is no specific primal coding.
- Loin cuts at 9 tonnes valued at \$132 thousand were down 93% in volume and value from the same period of 2021. Loin cuts represent 1% of total exports in the EU-27.
- Rib cuts at 0.3 tonne valued at \$3.4 thousand were