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Changing North American Cattle and Beef Trade Flows

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Background

Beef cattle production has longstanding importance to the United States' agricultural industry and economy. The significance of American beef scales to the global level as the U.S. is the largest beef-producing and consuming country in the world. The high levels of supply and demand of beef and cattle translate to significant participation in global trade. Proximity and government policies have influenced a long history of trade between Mexico, Canada, and the United States.

Canada and Mexico have served as trade partners of the United States through both export and import transactions of beef and live cattle. With respect to the live cattle trade, Canada and Mexico are almost the exclusive partners of the United States. While these countries are permanent fixtures in the United States cattle and beef market, their level of participation has varied over time. Numerous different factors contribute to these fluctuating trading patterns. Changes in national beef demand and cost-efficient feed sources contribute to the ever-evolving North American Market.

Data

United States exports and imports of live cattle and beef productions to/from Mexico and Canada were used in the analysis. Monthly data for January 1989 to November 2022 was available from the United States International Trade Commission.

Outlying Data between 2003 and 2005 is acknowledged but not considered a trend change.

Table 1: Definitions used in Traded Cattle and Beef Analysis

Category	Definition
Processed	Ground or comminuted, diced or cut into sizes for stew meat or similar uses, rolled and skewered, or specially processed into fancy cuts, special shapes, or otherwise made ready for particular uses by the retail consumer.
Light Weight Feeder Calf	Between 90 and 200 kilograms
Heavy Weight Feeder Calf	Between 200 and 320 kilograms
Fed Cattle	Greater than 320 kilograms

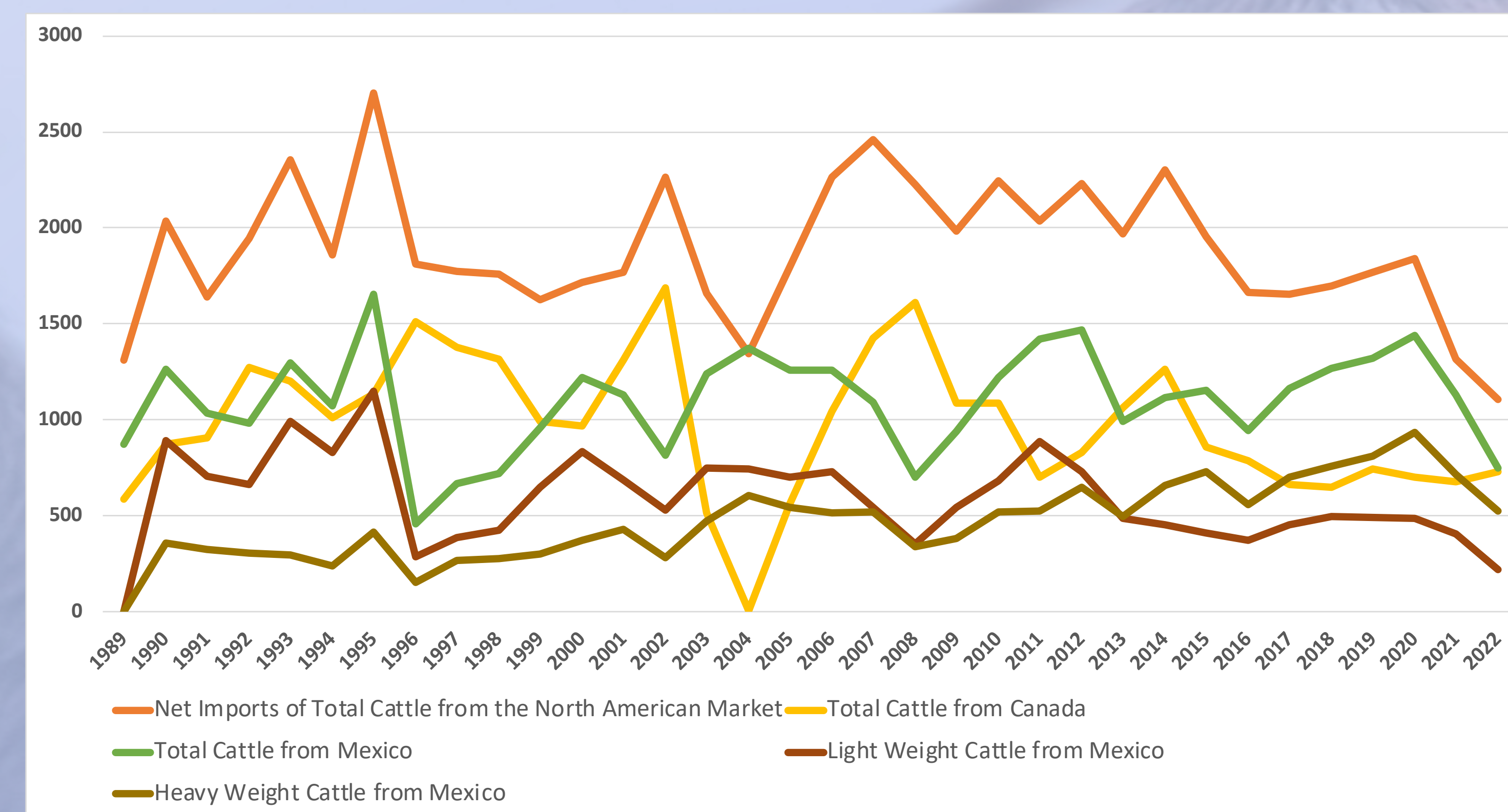


Figure 2: American Cattle Imports in the North American Market in Thousand Head

Live Cattle Trade

- The United States' annual exports of live cattle, mainly to Canada, have increased every year since 2016 to over 480,000 head in 2021 after a stable 12-year period with an average of 62,000.
- With an average of 619,000, fed cattle imports from Canada have stabilized since 2015 at the lowest levels seen since 1991, excluding 2003 through 2005.
- Imports of heavy feeder calves from Mexico became more prevalent than light feeder calves in 2013 and have maintained greater significance since.
- The relative importance of U.S. live cattle imports from Mexico and Canada has varied over time. Recent decreased fed cattle imports from Canada contribute to imports from Mexico being greater since 2015.
- The United States has always been a net cattle importer, but the magnitude has decreased by 18 percent in the last five years relative to the previous five.

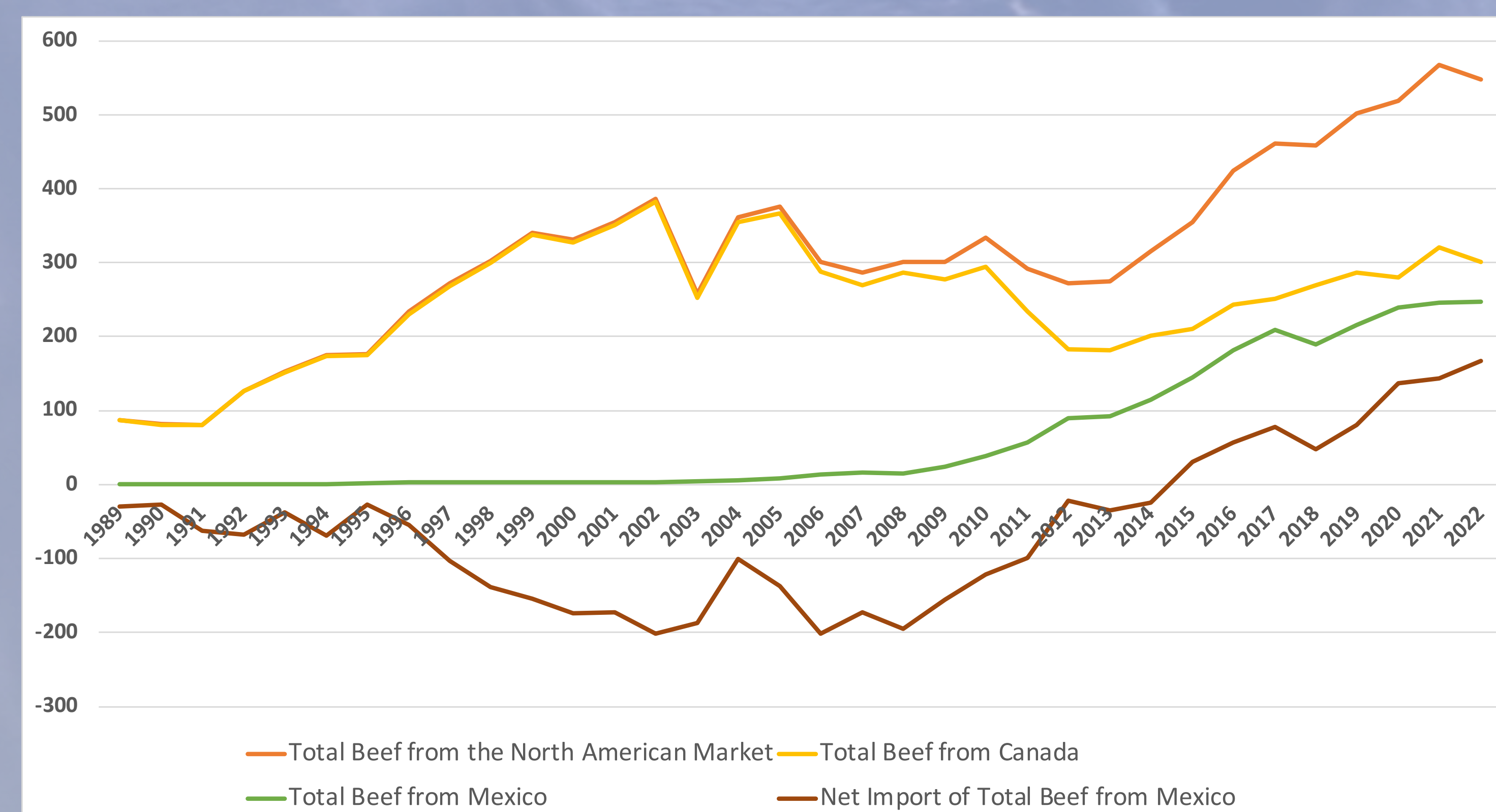


Figure 2: American Beef Imports in the North American Market in Million Kilograms

Beef Trade

- U.S. Beef exports to both Mexico and Canada have decreased by 50 percent since peaking in 2006 and 2011, respectively
- Processed beef exports to Canada have averaged 48 million kilograms in the last five years after not exceeding one million kilograms since 1989. Through November, 2022 processed beef exports in the North American market exceeded unprocessed beef for the first time.
- U.S. beef imports from Mexico have increased by 17 times since 2006. During the growth, Mexico's share of U.S. imports in the North American market has grown from less than five percent to 45 percent.
- The United States became a net importer of beef from Mexico in 2015, and the magnitude has increased since.

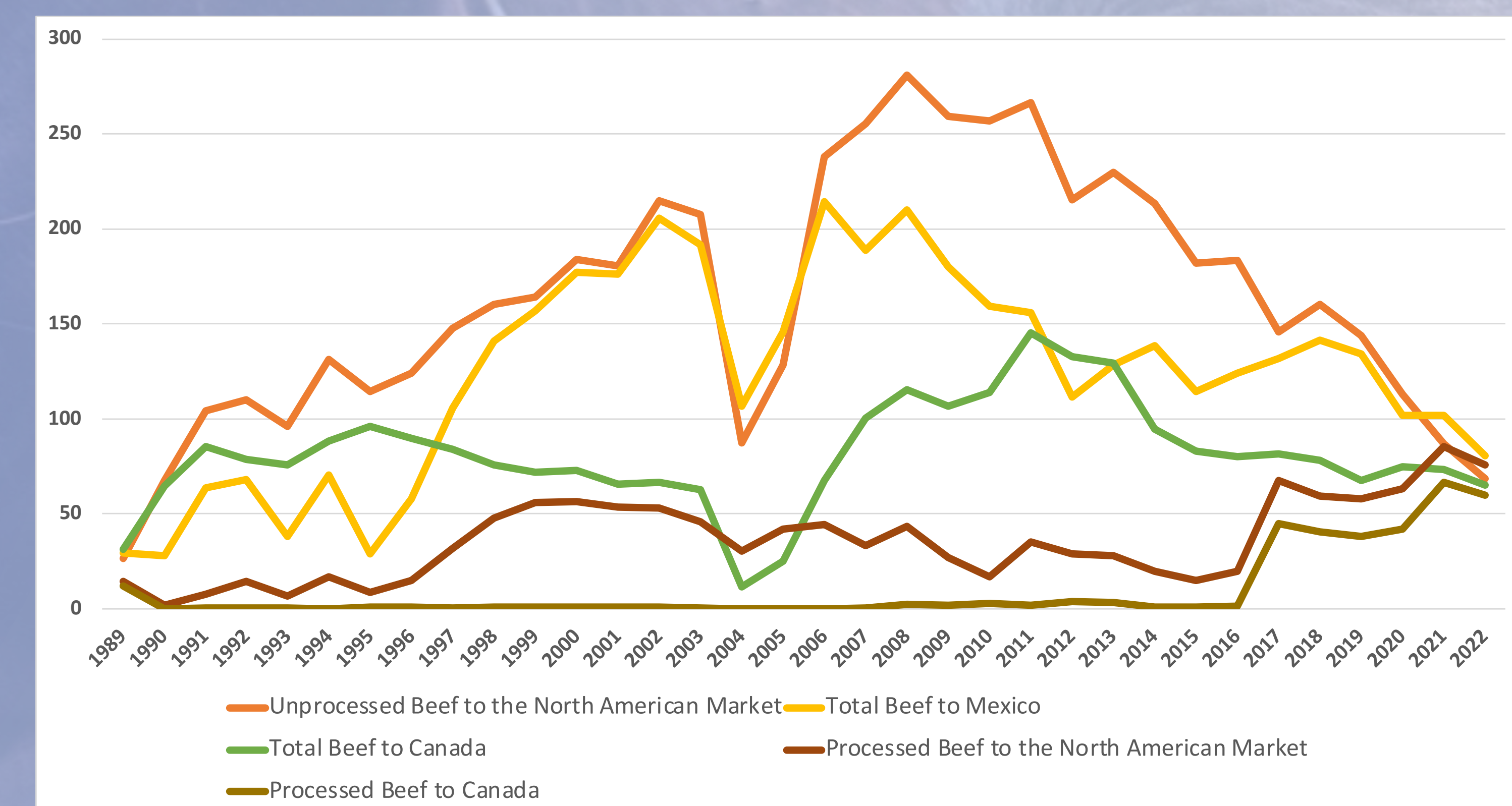


Figure 3: American Beef Exports in the North American Market in Million Kilograms

Conclusions

- As Mexico's beef production and exports grow, the relative importance of the North American Beef market compared to the global market shrinks for the U.S.
- Based on recent trends, processed beef exports to Canada are one of the few signs of potential growth in the North American beef market
- As the U.S. cattle herd cyclically decreases in size, recent gains in the net export of cattle may be reversed.