

Meatpackers

The China Quota Cliff

LatAm Meatpackers

What's new?

China has formally signaled materially higher long-term protein import needs, its middle class is projected to expand **to 700mn (+300mn)** people by 2032, and Brasília is weighing a renegotiation of the bilateral beef quota. We see the demand backdrop as a genuine multi-year tailwind, but the tradeable item near term is the **quota arithmetic, not the diplomacy**.

Our take

The cliff is mechanical, and the clock is nearer than it looks. Brazil's ~1.1Mt China quota (12% in-quota / 55% out-of-quota) was ~70% used by April and, on current pace, likely exhausts around Aug. Because product takes ~50–60 days to clear into China, Brazil-origin China loadings should effectively stop from mid-June, shipping later risks arriving out-of-quota and wearing the 55%. Our base case is that **China does not expand the quota**.

Only Brazil-origin product binds. Multi-origin exporters can re-route China supply to Argentina / Uruguay / Colombia; pure Brazil-origin volume bears the step.

Companies are already managing around it. Exposed Brazilian producers are pre-emptively throttling Brazil → China beef and re-allocating volume to other destinations (the US included) ahead of an expected normalization around Sep–Oct/26. The same restraint curbs collective slaughter appetite and, at the margin, eases cattle-cost pressure into 2H26E.

Two offsets soften, even invert, the hit: cheaper cattle and a US premium. Reduced slaughter should pull the cattle arroba lower (chatter of ~R\$350/@ toward ~R\$310–315/@ in midtime), while a contracting US herd should pull hard on the few Brazilian plants approved for the US. Because far fewer plants are US-habilitated than China-habilitated, the premium-market capture is concentrated, an operating-margin arbitrage for the large and multi-plant exporters.

The quota mechanics: why 2H26 is the constraint

The Brazil–China beef quota caps the volume that enters at the preferential tariff. Inside the cap, Brazilian beef pays 12%; once exhausted, it pays 55% (**+43 p.p.**), a step that erodes competitiveness against Australia, Argentina and the US.

With ~70% of the annual cap used by Apr, the run-rate points to exhaustion around Aug; factoring the ~50–60-day transit to China, the effective window to load Brazil-origin China product should close around mid-Jun. We expect the disruption to be concentrated in Aug–Sep, with loadings normalizing by Oct as exporters **reload to maximize 2027 quota absorption**.

Analysts

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Company

JBS US Equity / JBSS32 BZ Equity
Buy

Price: US\$11.90 (18-Jun-2026)
Target Price 12M: US\$18.50

Price: R\$62.66 (18-Jun-2026)
Target Price 12M: R\$95.50

MBRF3 BZ Equity
Buy

Price: R\$15.60 (18-Jun-2026)
Target Price 12M: R\$23.00

BEEF3 BZ Equity
Hold

Price: R\$3.73 (18-Jun-2026)
Target Price 12M: R\$4.75

Exhibit 1: Brazil–China beef quota at a glance

Parameter	Value	Implication
Annual quota	1.1Mt	National cap, Brazil-origin only
In-quota tariff	12%	Applies until cap fills
Out-of-quota tariff	55%	+43 p.p. step
Utilization by Apr-26	~70%	On current pace, cap exhausts ~Aug-26
Effective shipping cutoff	~mid-Jun	~50–60-day transit; product must clear before the cap fills
2H26 base case	Out-of-quota	Cliff Aug–Sep; base case assumes no expansion
Normalization	~Oct/26	Loadings resume to maximize 2027 quota absorption

Source: MAPA

China exposure across coverage

We anchor exposure on company-disclosed 1Q26 figures, not industry proxies. The decisive lens is not headlining China shares but the **Brazil-origin China slice**, the only revenue the quota touches, and each name's ability to substitute origin.

Exhibit 2: China exposure and structural hedge (1Q26 disclosures)

Name	Brazil → China, % of consol. Rev. (Est.)	Structural hedge vs. the cliff
Minerva	8–9%	Highest; multi-origin China access (AR/BR/CO/UY); Colombia sits outside the cap and AR/UY hold quota headroom, so China clients re-route around the Brazil cap
MBRF	1–5%	High; National Beef (45% of group, US) and BRF (38%) both unaffected by the cap
JBS	2–6%	High; also supplies China from Australia and the US under separate access

Sources: Minerva, MBRF, JBS releases

Per-name read

Minerva (BEEF3): Most levered, best hedged

One of the highest gearings in the group and the cleanest play on Chinese ASP. On the slice the quota touches, Brazil-origin shipped to China, we now size exposure at ~8–9% of consolidated revenue. The multi-origin footprint is the underlying answer to the cliff, and the mechanism should be precise: as discussed with the IR team, rather than running idle capacity, Minerva would re-route its Chinese clients to its Argentine, Uruguayan and Colombian operations.

Colombia sits outside the quota entirely, and Argentina/Uruguay carry headroom, their 2025 China volumes ran below quotas set on a three-year average (e.g., Argentina ~460kt shipped vs a ~580kt cap) after skewing supply toward the US. Net, consolidated China volume should look similar 2025 vs 2026, while consolidated China revenue likely rises on stronger ASP, leaving the net P&L negative impact close to negligible (R\$60bn 26E Est. maintaining).

MBRF (MBRF3): Big within a small segment

China + HK are 45% of South America Beef exports, but that segment is only 16% of the group, leaving China + HK at **~4% Est.** of consolidated sales. National Beef (45%, US) does not serve China and BRF (38%) is poultry; the cliff touches only the Brazil-origin portion of the SA beef slice, and it is, in a very sure statement, diluted.

MBRF is already acting on it as our call with the IR team indicates. The company is temporarily standing down its Brazil-origin beef shipments to China, roughly the ~4% of consolidated revenue exposed, specifically to avoid the 55% out-of-quota tariff, with normalization expected around **Sep-Oct/26**.

Displaced volume has been re-allocated to other markets, including the US, at a modest discount to China ASP that we do not view as material to group profitability given the small base. One caveat vs. peers: with fewer US-habilitated plants than the larger exporters, MBRF should be less positioned to capture the concentrated US-premium arbitrage described above.

JBS (JBSS32): Exposed via JBS Brazil, buffered by the platform

China is the dominant destination for Brazilian beef industry-wide, and JBS Brazil carries that exposure, but at 17.5% of the group, with China also supplied from Australia and ~59% of the group clients concentrated in NAFTA, the group-level sensitivity should be modest.

JBS is also a prime beneficiary of the US-premium arbitrage: among the Brazilian plants approved for the US, Minerva, JBS and MBRF together account for ~90% Est. of Brazil → US beef exports, with JBS and Minerva with ~70% Est., so the cheaper-cattle / premium-US setup should accrue disproportionately to JBS.

Risks & what to watch

Quota outcome (binary). A signed expansion removes the 2H cliff and is the single largest swing factor; our base case (and companies IR's) is no expansion, leaving the 55% step in place.

Quota-fill timing. Faster shipments pull the out-of-quota window earlier; SECEX monthly volumes are the tell. Current read: exhaustion in ~Sep-Aug, effective loading cutoff ~mid-Jun, normalization ~Oct.

Cattle-cost relief sized but ephemeral. Reduced slaughter should ease the arroba (chatter of ~R\$350/@ → ~R\$310–315/@), but the relief likely should last only ~2–3M (Jul–mid-Sep) before re-accelerating into late-Sep/Oct as producers should resume sourcing for 2027.

US pull and plant-habilitation arbitrage. A contracting US herd lifts import demand (the 280kt → 320kt 2026 pre-contract overshoot). With far fewer Brazilian plants approved for the US than for China, premium capture concentrates in the largest exporters, supportive for Minerva and JBS, less so for smaller-footprint peers.

Mercosur ASP spread. The multi-origin hedge depends on Argentine/Uruguayan realized prices not lagging China-bound Brazilian ASP by more than the tariff saving.

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