

Current Livestock and Meat Issues

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KSU Agricultural Economics 2022 Risk and Profit Conference

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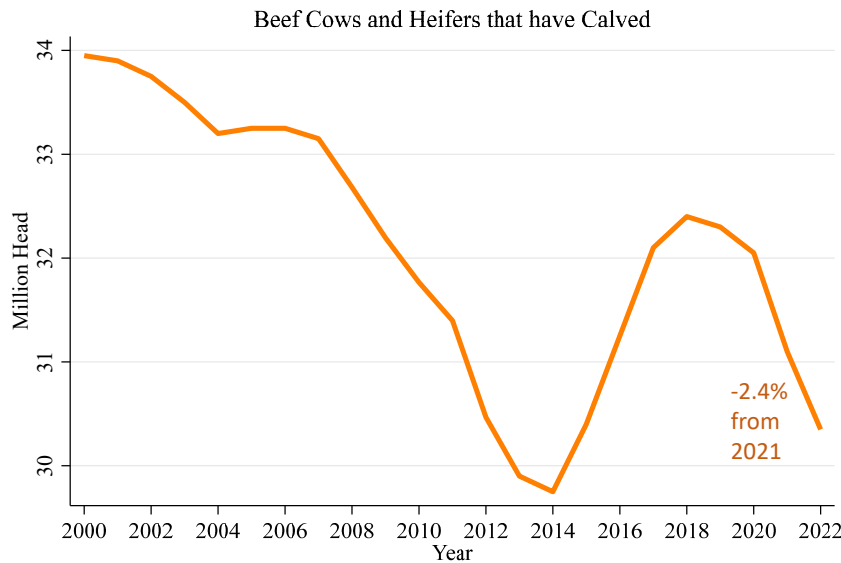
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Some Issues to Consider for 2022

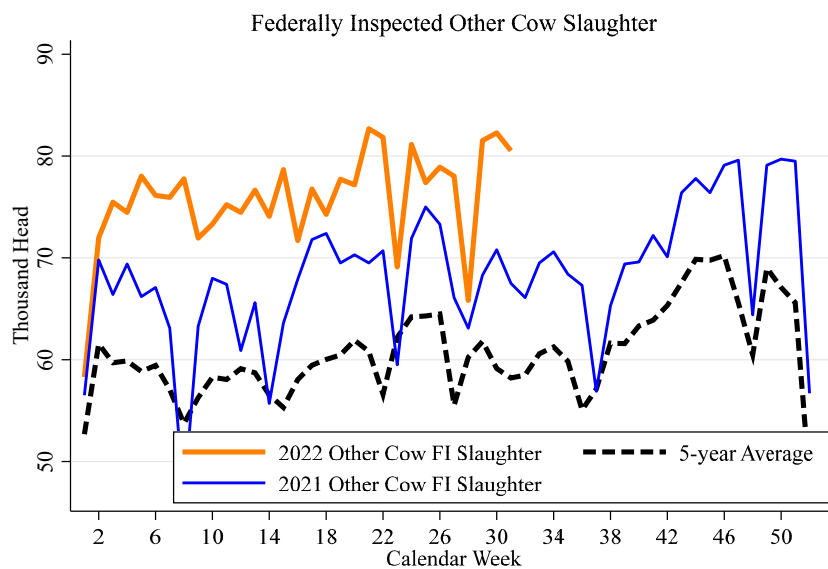
- Beef Cow Herd Liquidation
- Capacity/Supply Chain Issues
- Livestock and Meat Demand
 - Exports
 - Domestic
- Political
 - Live Cattle Markets
 - Meat Packing Sector

US Beef Cow Herd: July Inventory



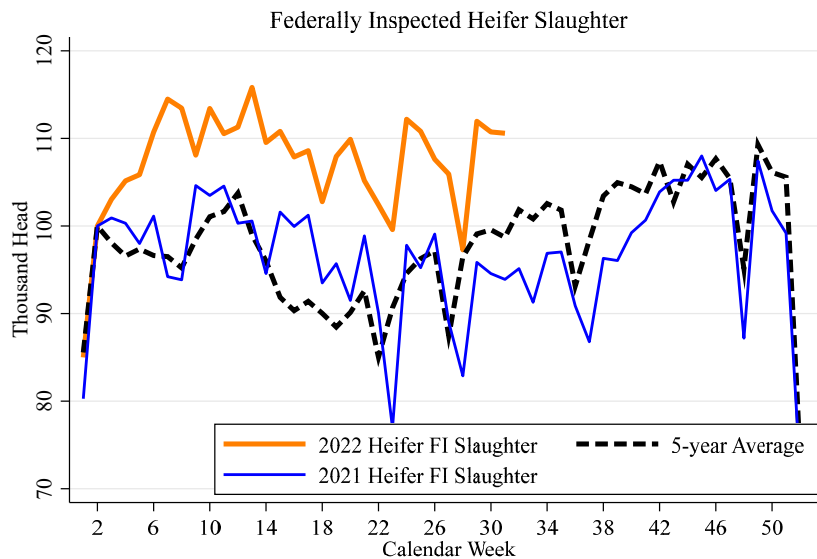
Year	Million Head	% of 2019
2019	32.3	100%
2020	32.1	99.2%
2021	31.1	96.3%
2022	30.4	94.0%

US Beef Cow Herd



Historically large beef cow slaughter levels continuing so far in 2022

US Beef Cow Herd



Heifer Slaughter is substantially above the 5-year average and 2021 levels

Supply and Capacity

- Two dimensions of meat packing capacity:
 1. Physical capacity/Facilities
 2. Operational Capacity

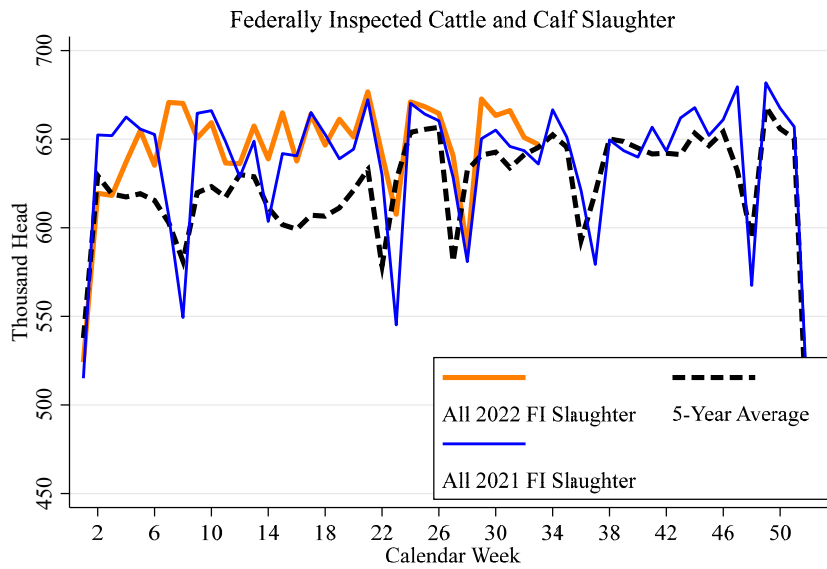
Supply and Capacity: Physical Capacity

- Since 2015/2016 fed cattle supply has been at or above capacity (Peel, OSU)
- Herd liquidation, combined with new capacity should improve situation from the producer perspective
- Over the next few years, plans indicate at least 20-25K head per week of capacity could be added (CattleFax and others)
- However, additions still not certain and regional conditions will vary

Supply and Capacity: Physical Capacity

- Increased interest and government support for small to medium-scale processors
- Attention on direct to consumer, local, or niche processing

Supply and Capacity: Operational Capacity

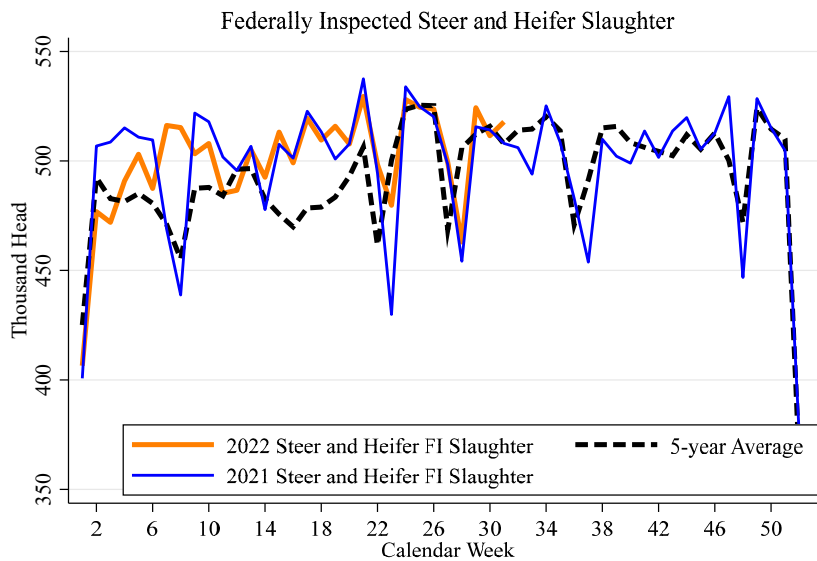


All Federally Inspected Slaughter is down basically even with 2021 and the 5-year average

All FI Slaughter includes cows, bulls, calves

Data Source: USDA AMS data compiled by LMIC

Supply and Capacity: Operational Capacity



Fed Steer and Heifer Slaughter is slightly above 2021 and the 5-year average

Data Source: USDA AMS data compiled by LMIC

Supply and Capacity: Operational Capacity

- Transportation/Trucking Issues
- Labor
 - Availability and consistency
 - Cost
- Continuing Covid-19/Health Concerns and Plant Precautions
- These problems impact all proteins

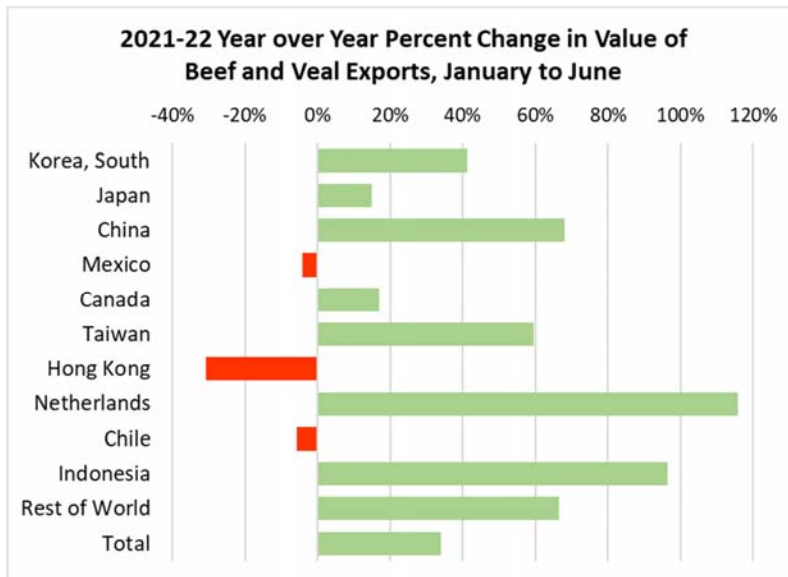
Exports: Value of Beef and Veal Exported (thousands of dollars)

Trading Partner	2017	2018	2019	2020	2021	2022(Jan to Jun)
Korea, South	\$1,148,798	\$1,673,118	\$1,772,950	\$1,653,646	\$2,321,209	\$1,494,522
Japan	\$1,528,494	\$1,753,891	\$1,563,703	\$1,572,352	\$1,858,286	\$966,016
China	\$30,774	\$60,333	\$85,331	\$299,594	\$1,550,942	\$1,013,835
Mexico	\$746,029	\$828,755	\$829,715	\$624,881	\$793,744	\$344,043
Canada	\$774,747	\$726,728	\$638,203	\$708,605	\$756,130	\$411,321
Taiwan	\$408,166	\$551,301	\$568,356	\$551,276	\$662,059	\$443,715
Hong Kong	\$833,169	\$882,537	\$688,571	\$608,519	\$449,502	\$154,943
Netherlands	\$140,693	\$124,988	\$120,368	\$120,130	\$124,236	\$100,374
Chile	\$63,669	\$62,083	\$64,408	\$47,562	\$89,697	\$36,657
Indonesia	\$40,367	\$48,659	\$59,484	\$54,704	\$88,126	\$63,786
Rest of World	\$674,533	\$751,674	\$730,771	\$524,050	\$747,353	\$533,217
Total	\$6,389,439	\$7,464,067	\$7,121,860	\$6,765,319	\$9,441,284	\$5,562,429

Data Source: USDA Foreign Ag Service GATS; no variety meats, offal, or hides

- 2021 was a record for value of exports
- Position of US beef in China looks promising

Exports: Value of Beef and Veal Exported



Increase in Value of Jan to Jun Trade for Seven of the Top Ten Partners Compared to Jan to Jun 2021

Increase of ~30% in Value (~8% Quantity) of Jan to Jun Trade for All Partners Compared to Jan to Jun 2021

Data Source: USDA Foreign Ag Service GATS; no variety meats, offal, or hides

Exports: Value of Pork Exported (thousands of dollars)

Trading Partner	2017	2018	2019	2020	2021	2022 (Jan to Jun)
Japan	\$1,596,556	\$382,521	\$1,595,743	\$382,149	\$1,497,803	\$359,508
Mexico	\$1,281,788	\$657,517	\$1,109,291	\$647,630	\$1,074,288	\$578,217
Canada	\$768,752	\$189,378	\$740,017	\$187,409	\$769,617	\$196,994
China	\$237,933	\$127,895	\$199,903	\$105,532	\$853,118	\$378,079
Korea, South	\$447,762	\$163,606	\$624,326	\$226,808	\$559,546	\$196,174
Colombia	\$154,447	\$65,193	\$210,859	\$93,882	\$215,311	\$97,014
Australia	\$195,771	\$69,804	\$207,300	\$78,693	\$287,151	\$103,750
Philippines	\$76,778	\$26,859	\$86,271	\$30,046	\$71,302	\$28,658
Dominican Republic	\$69,119	\$30,128	\$90,638	\$41,745	\$75,022	\$32,757
Honduras	\$53,610	\$27,441	\$56,211	\$29,252	\$64,001	\$31,925
Rest of the World	\$521,083	\$204,187	\$521,363	\$200,078	\$596,911	\$222,676
Total	\$5,403,599	\$1,944,528	\$5,441,922	\$2,023,223	\$6,064,070	\$2,225,752

Increase in Value of Jan to Jun Trade for One of the Top Ten Partners Compared to Jan to Jun 2021

Decrease of ~40% in Value of Jan to Jun Trade for All Partners Compared to Jan to Jun 2021

Data Source: USDA Foreign Ag Service GATS; no variety meats, offal, or hides

Choice Retail Beef Demand

- Meat Demand Index (maintained by Glynn Tonsor, Kansas State University Ag Economics)
- Analyzes price and quantity changes to determine how demand has changed

2022 Month	% Change from Previous Month	% Change from Previous Year
February	-4.6	20.44
March	12.56	13.67
April	-10.92	4.14
May	-4.06	6.79
June	5.19	-8.05

Retail Pork Demand

- Meat Demand Index (maintained by Glynn Tonsor, Kansas State University Ag Economics)
- Analyzes price and quantity changes to determine how demand has changed

2022 Month	% Change from Previous Month	% Change from Previous Year
February	-3.63	8.91
March	10.62	16.69
April	-9.70	8.58
May	-5.82	28.02
June	3.99	4.98

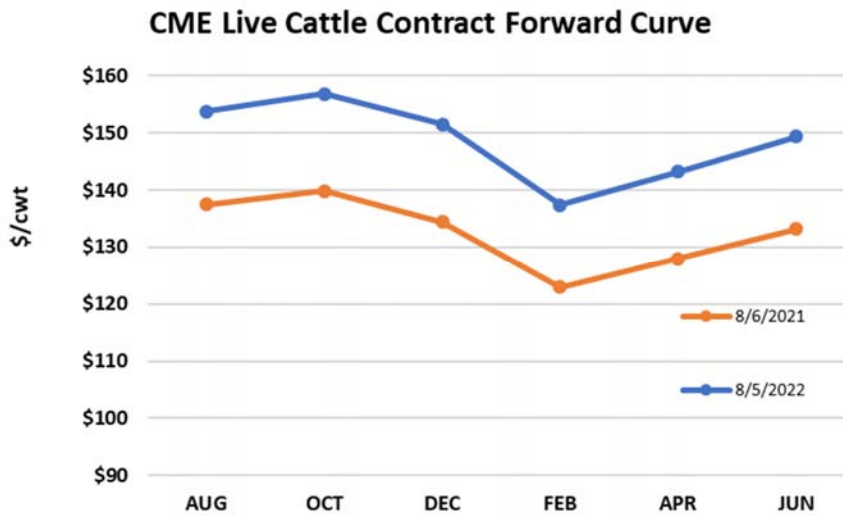
Political

- Current political environment has focus on competitiveness of the meatpacking sector
 - Potential boost in cattle feeder confidence
 - Potential increased risk exposure to meat packers
 - Some general uncertainty for investments
- Several legislative efforts in process that aim to regulate marketing of live cattle
 - Cattle Contracts Library Pilot Program has started
 - Other efforts directed at marketing methods and price discovery
 - Uncertainty around benefit/cost ratio of these measures abounds
 - Rigidity in marketing methods is likely harmful for the sector, longer term

Food Away from Home

- Restaurants were creative and innovative to survive 2020-2021
- Lessons learned will be valuable long term
- Given higher prices and labor issues, some good news for 2022
 - Open Table: Reservations at 2019 levels
 - Placer.ai: Foot traffic at steakhouses higher than 2019 levels
 - Positive Q2 outlooks from many higher-end restaurants (e.g., Texas Roadhouse, Ruth's, Longhorns)

Livestock Prices



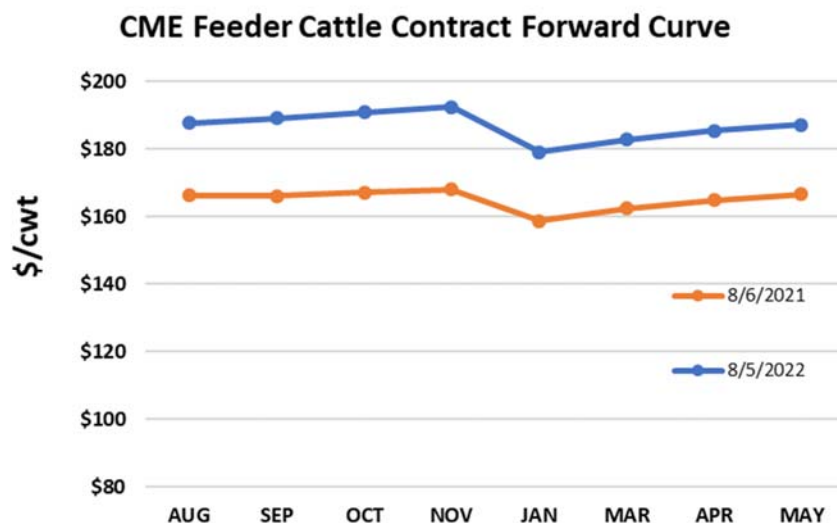
Forward curve similar to 2021 but at a higher level

USDA ERS July 2022 projection for 5-area steer prices:

Q4 2022 \$145/cwt
 Q1 2023 \$150/cwt
 Q2 2023 \$152/cwt

Based on weekly averages of futures settlement prices as reported by LMIC
 Updated 8/5/22

Livestock Prices



Forward curve similar to 2021 but at a higher level

USDA ERS July 2022 projection OK City Med Frame 1 feeder steer prices:

Q4 2022 \$171/cwt
 Q1 2023 \$169/cwt
 Q2 2023 \$186/cwt

Based on weekly averages of futures settlement prices as reported by LMIC
 Updated 8/5/22

Concluding Thoughts

- Relatively rapid beef cow herd liquidation seems to be ongoing
- Market optimism in cattle prices
- Higher input prices and supply chain issues on the input sides
- Strong export demand for US meat
- Expect high meat prices at retail and restaurant to persist
- Focus on consumer demand remains key

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