BEEF-CATTLE MARKET OUTLOOK & BEEF DEMAND INSIGHTS

http://www.agmanager.info/about/contributors/individual/tonsor.asp

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Jargon-Free Summaries Help!

- Supplies Shrinking

+

- Robust Export Beef Demand
- Surprising/Stable Domestic Beef Demand

= **Higher Prices on Fewer Head**

- All Sources of Uncertainty Remain Elevated

Quarterly Forecasts (LMIC: 7/26/22)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2021						
I	8,280	-1.5	833.3	1.0	6,900	-0.5
II	8,510	15.0	818.2	-0.1	6,963	14.9
III	8,527	-0.2	818.5	-1.7	6,979	-1.9
IV	8,534	1.1	832.7	-0.5	7,106	0.5
Year	33,850	3.2	825.6	-0.4	27,948	2.9
2022						
I	8,405	1.5	835.6	0.3	7,022	1.8
II	8,668	1.9	815.4	-0.3	7,068	1.5
III	8,407	-1.4	813.5	-0.6	6,839	-2.0
IV	8,219	-3.7	831.9	-0.1	6,838	-3.8
Year	33,699	-0.4	824.0	-0.2	27,768	-0.6
2023						
I	7,962	-5.3	839.6	0.5	6,684	-4.8
II	8,347	-3.7	822.7	0.9	6,867	-2.8
III	7,995	-4.9	818.2	0.6	6,541	-4.4
IV	7,986	-2.8	836.3	0.5	6,679	-2.3
Year	32,289	-4.2	829.1	0.6	26,771	-3.6

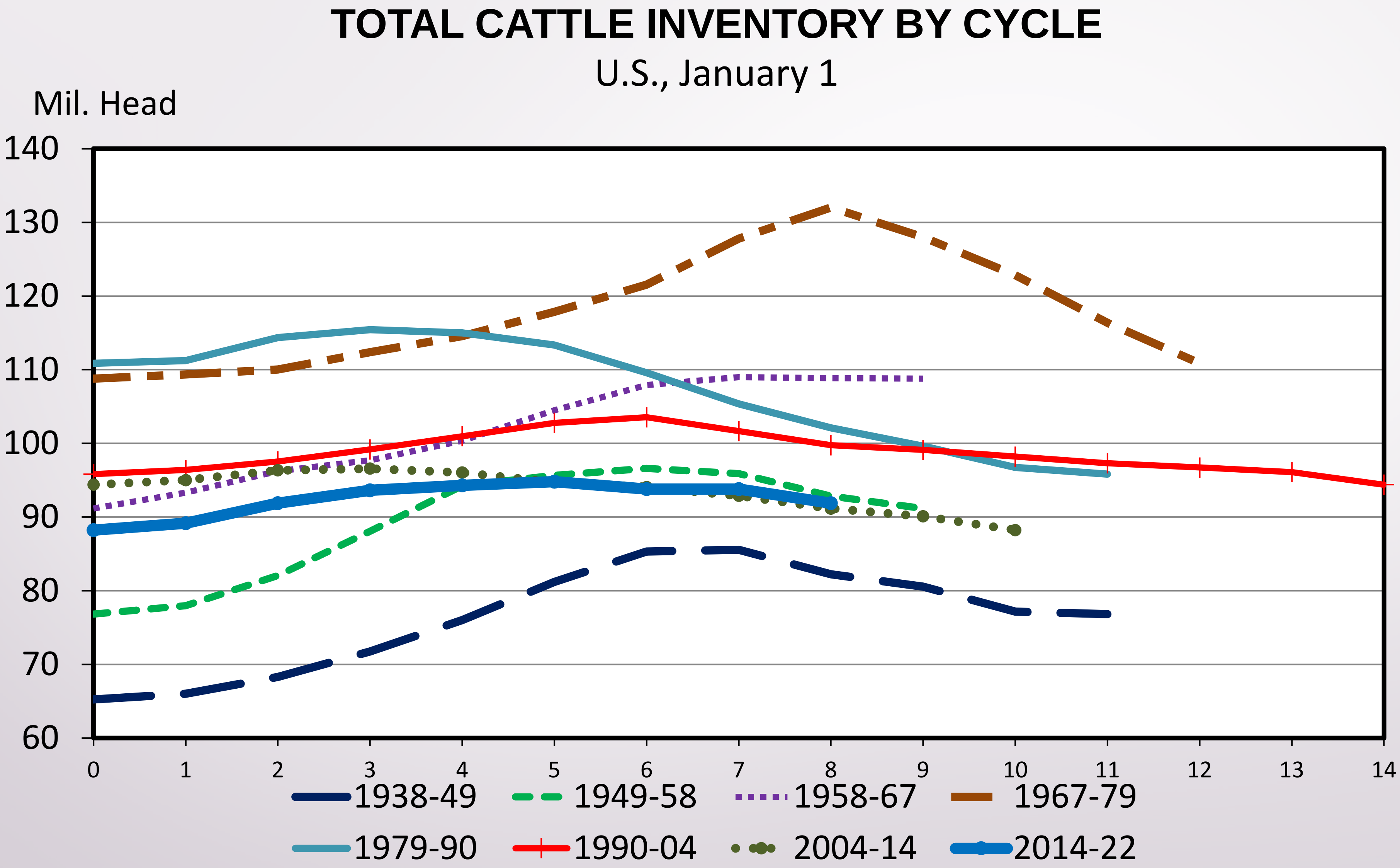
Data Source: Livestock Marketing Information Center

Quarterly Forecasts: Cattle (LMIC: 7/26/22)

Year Quarter	Live Sltr. Steer Price 5-Mkt Avg	% Chg. from Year Ago	Feeder Steer Price Southern Plains 7-800#	Feeder Steer Price Southern Plains 5-600#
2021				
I	112.98	-4.5	136.65	164.83
II	120.76	14.1	142.02	165.42
III	124	21.4	156	172
IV	132	21.6	159	172
Year	122	12.0	148	169
2022				
I	139.25	23.0	160.00	193.66
II	141.93	17.2	160.49	188.43
III	137	9.3	168-170	186-191
IV	139-142	6.1	163-166	180-183
Year	139-140	14.0	163-164	188-189
2023				
I	145-150	5.9	165-170	188-193
II	147-153	5.7	169-174	185-190
III	143-153	7.8	175-185	190-200
IV	145-155	6.8	178-188	195-205
Year	148-150	6.8	174-176	192-194

LMIC's projections (& 2024 #s) to be updated soon
-- likely higher prices & lower volumes...

Data Source: Livestock Marketing Information Center



Data Source: USDA-NASS

Livestock Marketing Information Center

C-N-40
01/31/22

K-State Dept. of Agricultural Economics Extension Publication 03/21/2022

An Updated Evaluation of the U.S. Cattle Cycle

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March 2022

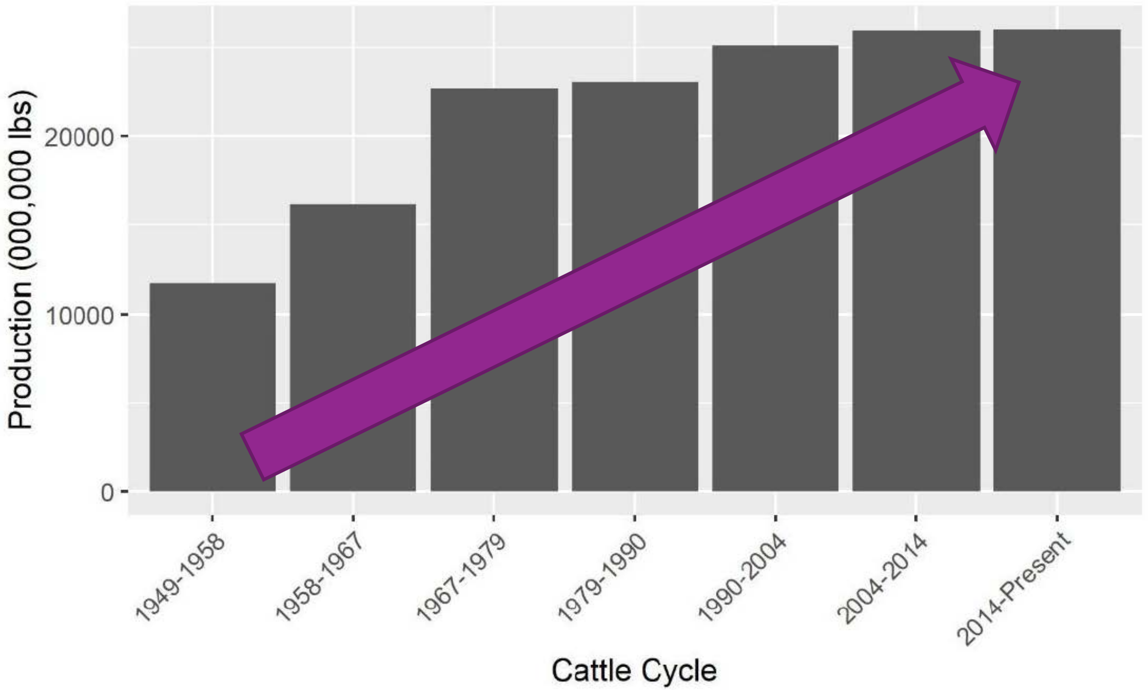
https://www.agmanager.info/livestock-meat/production-economics/updated-evaluation-us-cattle-cycle

Table 1. Beef Cow Inventory (000's head)

CATTLE CYCLE	AVERAGE	STD DEV	MIN	MAX	RANGE	RELATIVE RANGE*
1949-1958	21,772	3,867	15,919	25,659	9,740	44.7%
1958-1967	29,300	3,898	24,165	34,442	10,277	35.1%
1967-1979	39,505	3,520	34,708	45,711	11,003	27.9%
1979-1990	36,033	2,373	32,487	39,229	6,742	18.7%
1990-2004	33,688	909	32,454	35,318	2,864	8.5%
2004-2014	31,704	1,108	29,631	32,702	3,071	9.7%
2014-PRESENT	30,620	1,025	28,956	31,690	2,734	8.9%

* Relative range is calculated as 100*range/average.

Figure 2. Average Annual Beef Production by Cattle Cycle

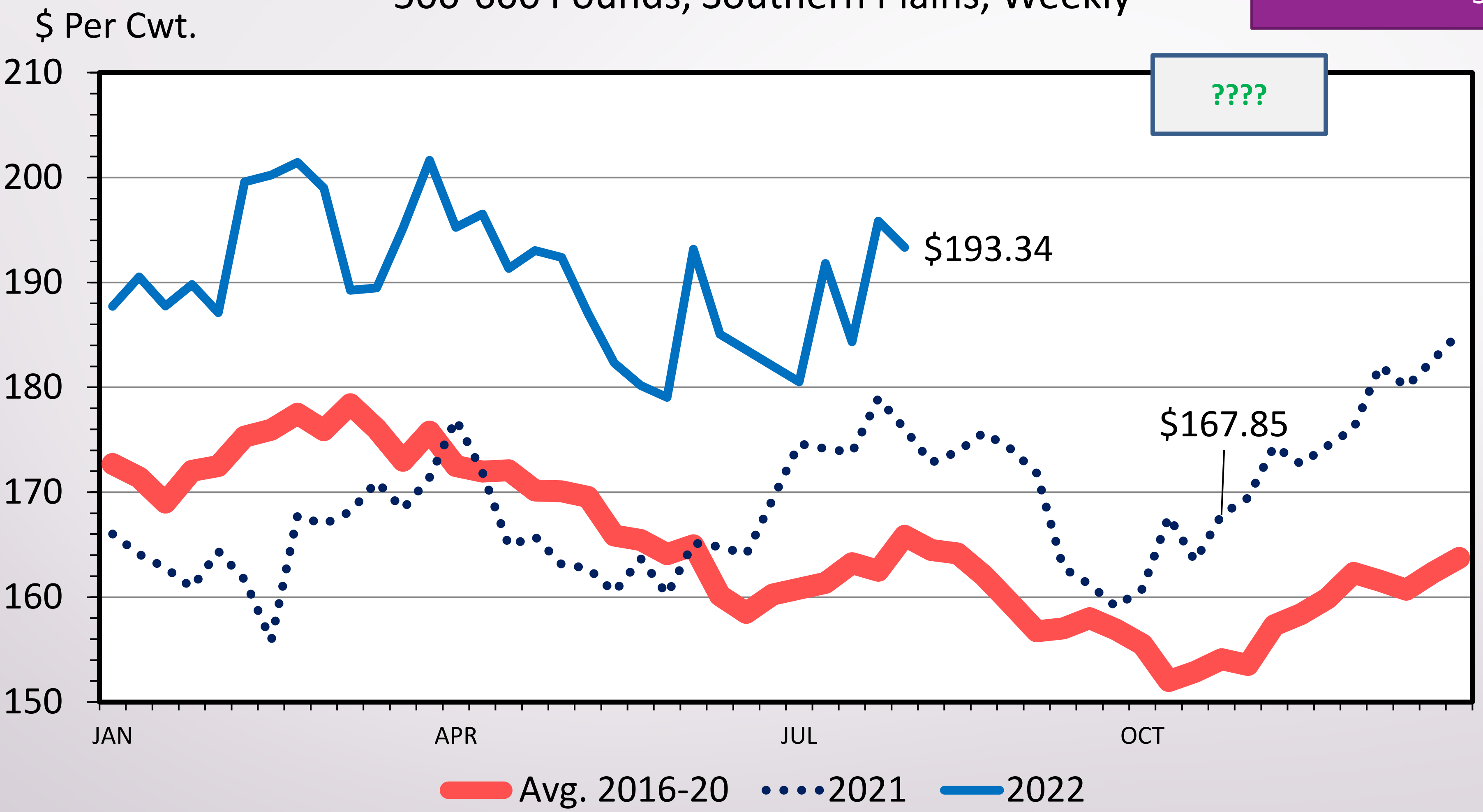


BeefBasis.com (as of Aug. 11th)

Salina, KS 5.5 cwt Steer on Oct 13th: $212/cwt

MED. & LRG. #1 STEER CALF PRICES

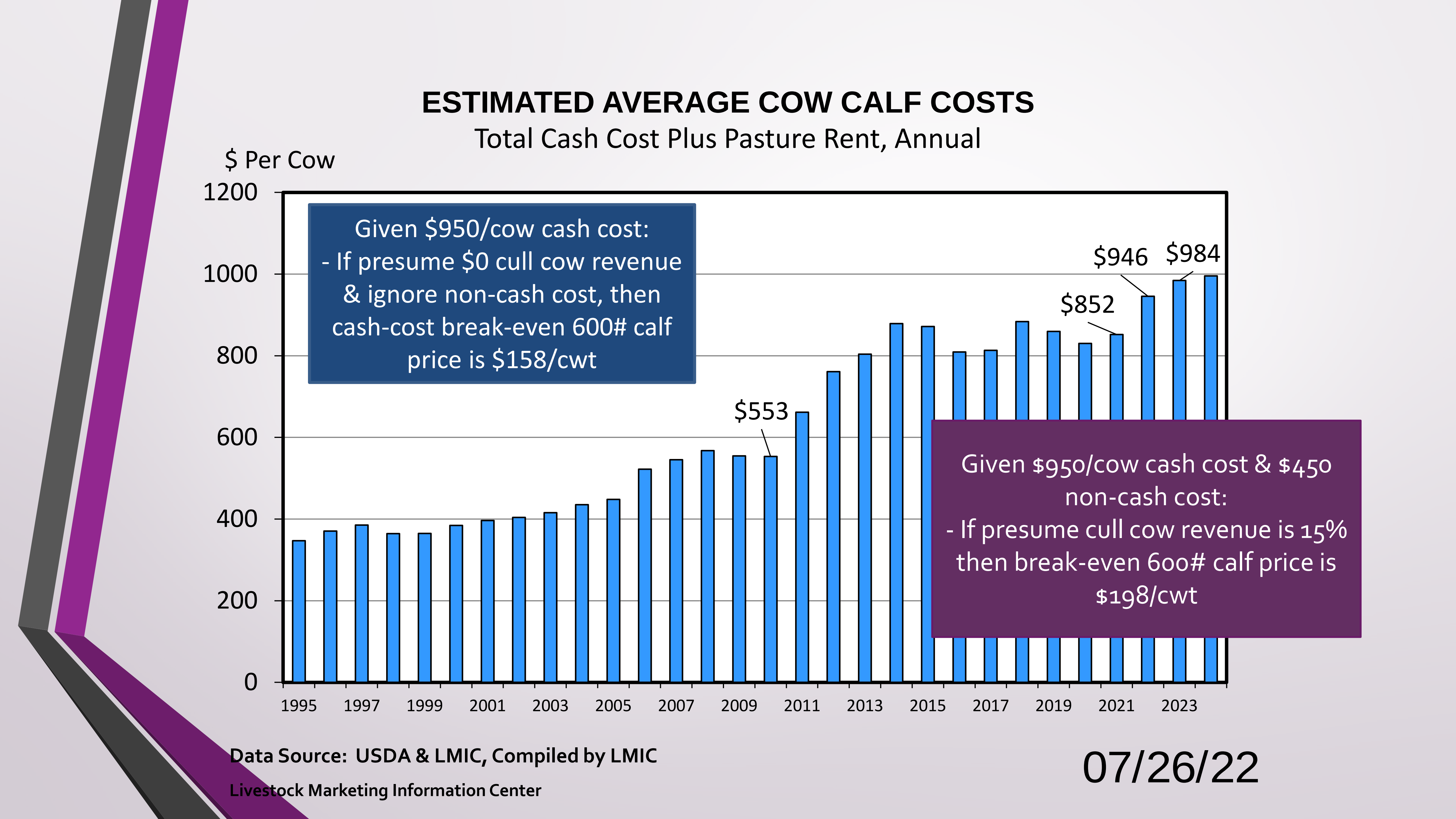
500-600 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS

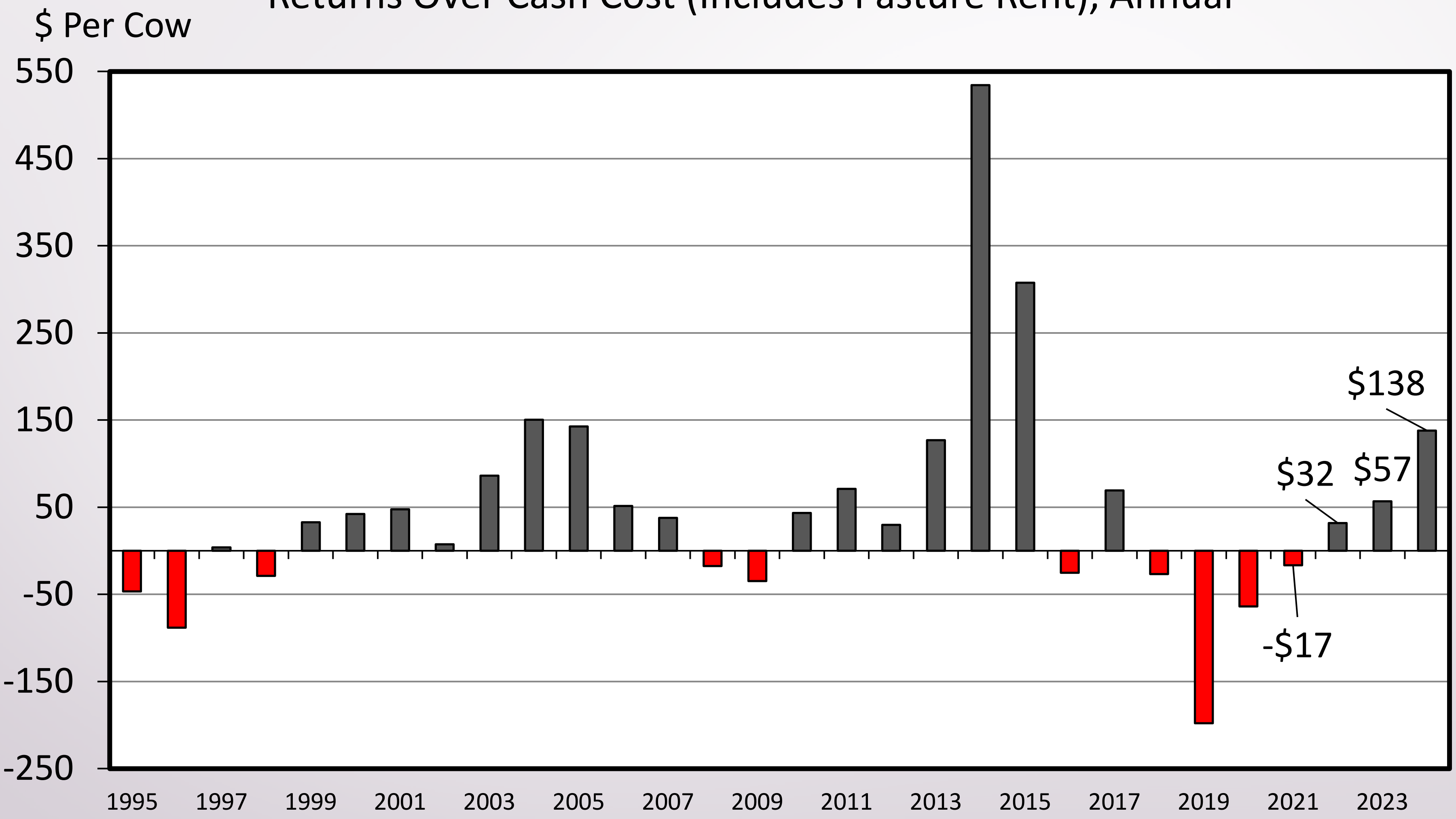
Livestock Marketing Information Center

C-P-54
08/08/22


ESTIMATED AVERAGE COW CALF COSTS
Total Cash Cost Plus Pasture Rent, Annual
$ Per Cow
1200
1000
800
600
400
200
0
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
$553
$852
$946
$984
Given $950/cow cash cost:
- If presume $0 cull cow revenue & ignore non-cash cost, then cash-cost break-even 600# calf price is $158/cwt
Given $950/cow cash cost & $450 non-cash cost:
- If presume cull cow revenue is 15% then break-even 600# calf price is $198/cwt
Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center
07/26/22

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
07/26/22

KSU-Feeder Cattle Risk Management Tool

https://www.agmanager.info/k-state-feeder-cattle-risk-management-tool


KSU-Feeder Cattle Risk Management Tool

An Excel spreadsheet for evaluating feeder cattle risk management strategies

AgManager.info

Version- 12.14.2020

Kansas State University
Agricultural Economics

INTRODUCTION

This spreadsheet was developed as a decision-aid tool for producers interested in managing feeder cattle price risk. It can be used to compare the Expected Net Selling Price using alternative risk management tools available for pricing feeder cattle.

INSTRUCTIONS FOR THE !

Be sure to "Enable Content" and "Enable Macros" for the spreadsheet to function correctly.

In the Comparison sheet all blue numbers are input by the user. All black numbers are calculated using data provided by the user. The spreadsheet automatically recalculates every time an additional input is entered. Thus, it is important to wait until all data have been entered and reviewed before interpreting any of the calculated results (i.e., black numbers). Most of the input cells (i.e., blue number) have a red diamond in the upper right hand corner of the cell. By moving your mouse cursor over this diamond, a brief description of

FOR MORE INFORMATION:

To learn more about managing price risk and using LRP insurance visit www.AgManager.info or click on the following link

P Insurance Informat   Price Risk Management Information

Updated by:

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ACKNOWLEDGEMENTS:

This spreadsheet was originally developed by Kevin Dhuyvetter, Ph.D., Agricultural Economist, Kanasas State University. The authors gratefully acknowledge funding provided by USDA's Risk Management Agency (RMA) for initial development of this feeder cattle risk management tool.

Kansas State University Agricultural Economics

RMA

Always good to reassess your situation

e.g. changes in LRP make that more attractive to some…

Historical and Projected Kansas Feedlot Net Returns (as of 8/5/22')

(http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp)

June 21': -$70/steer

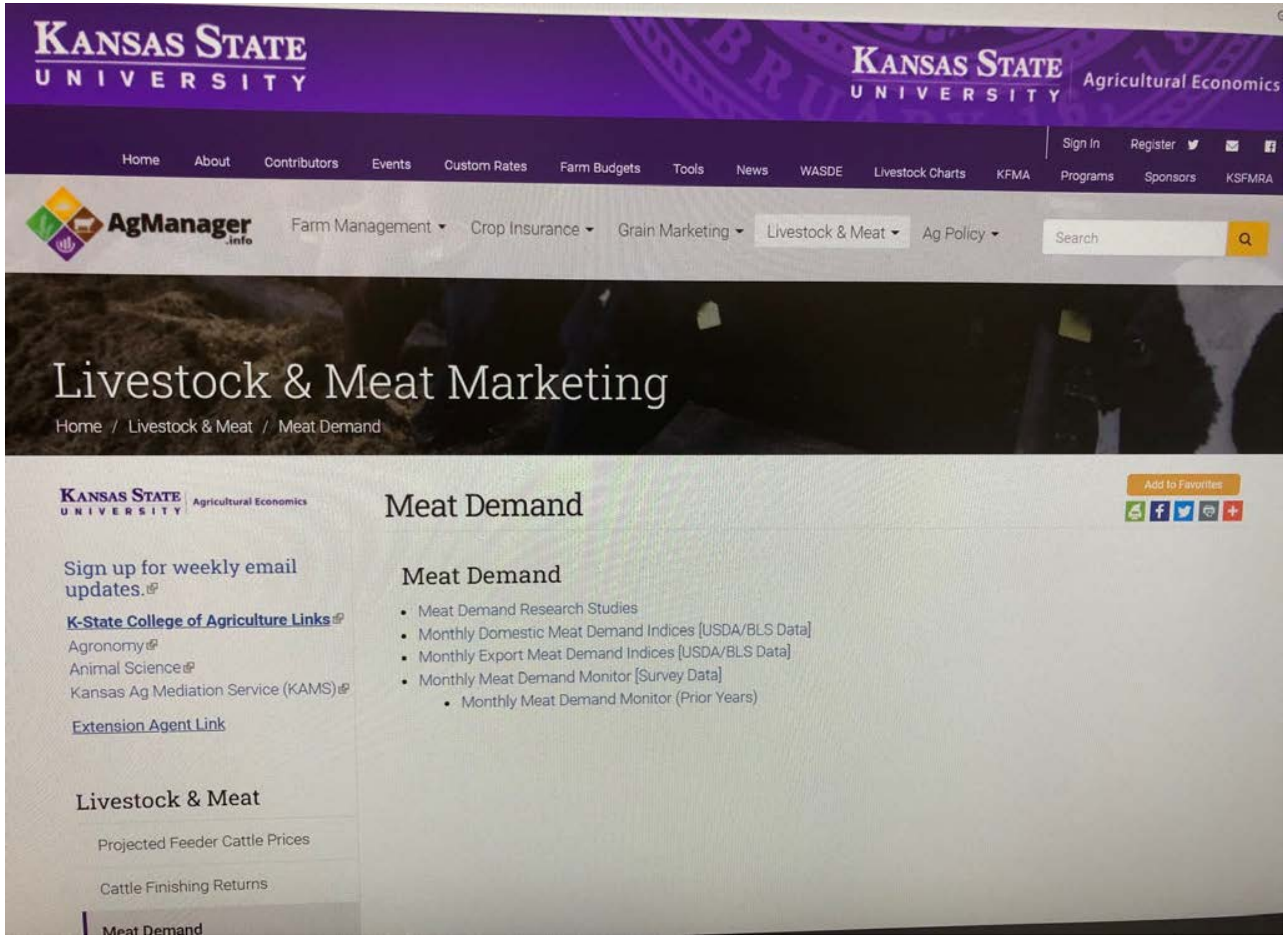
Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-22	-109.54	123.37	136.92	135.74	1.18	158.75	106.50	144.49	145.03
Aug-22	-14.63	126.07	144.47	143.88	0.59	157.36	123.68	145.50	155.53
Sep-22	-27.60	126.59	144.56	143.88	0.68	156.90	121.66	146.53	153.61
Oct-22	71.34	126.23	150.74	149.98	0.76	156.80	137.83	145.86	165.20
Nov-22	116.39	122.37	150.60	149.98	0.62	154.32	141.03	142.65	168.19
Dec-22	209.70	118.73	155.92	154.60	1.32	155.91	151.42	141.64	181.26
Jan-23	158.32	116.40	155.10	154.60	0.50	163.63	140.28	144.22	183.61
Feb-23	46.55	115.13	158.06	157.80	0.26	181.18	122.54	154.84	186.87
Mar-23	83.05	116.69	160.88	157.80	3.08	181.21	129.89	154.99	191.82
Apr-23	31.12	115.17	157.16	152.40	4.76	183.15	120.14	154.91	187.27

Representative Barometer for Trends in Profitability

Beef Demand Update & Resources

https://www.agmanager.info/livestock-meat/meat-demand



Macroeconomic Decline = Meat Demand Decline ?

Table 2.1. Aggregate Meat Demand Elasticities Summary

		Beef Demand				Pork Demand		Chicken Demand	
Period	Beef Price Used	Own-Price	Pork Cross-Price	Chicken Cross-Price	Exp.	Own-Price	Exp.	Own-Price	Exp.
1988-2017	All-Fresh	-0.479	0.087	0.023	0.803	-0.307	0.141	-0.339	0.425
1988-2007	All-Fresh	-0.645	0.145	0.026	0.790	-0.229	-0.262	-0.345	0.371
2008-2017	All-Fresh	-0.450	-0.032	0.083	0.959	-0.089	1.231	-0.378	0.856
1970-2017	Choice	-0.593	0.120	0.041	0.118	-0.973	-0.170	-0.133	0.218
1988-2017	Choice	-0.490	0.085	0.021	0.781	-0.313	0.146	-0.345	0.430
1970-1994	Choice	-0.594	0.138	0.039	0.118	-0.924	-0.004	-0.159	0.003
1995-2017	Choice	-0.468	0.049	-0.044	0.867	-0.287	0.634	-0.469	0.960

Note: "Exp." is Expenditure abbreviated. All Rotterdam models were estimated using iterative three-stage least squares.

https://www.beefboard.org/wp-content/uploads/2018/01/Assessing-Beef-Demand-Determinants.pdf

Assessing Beef Demand Determinants

Prepared for the Cattlemen's Beef Board

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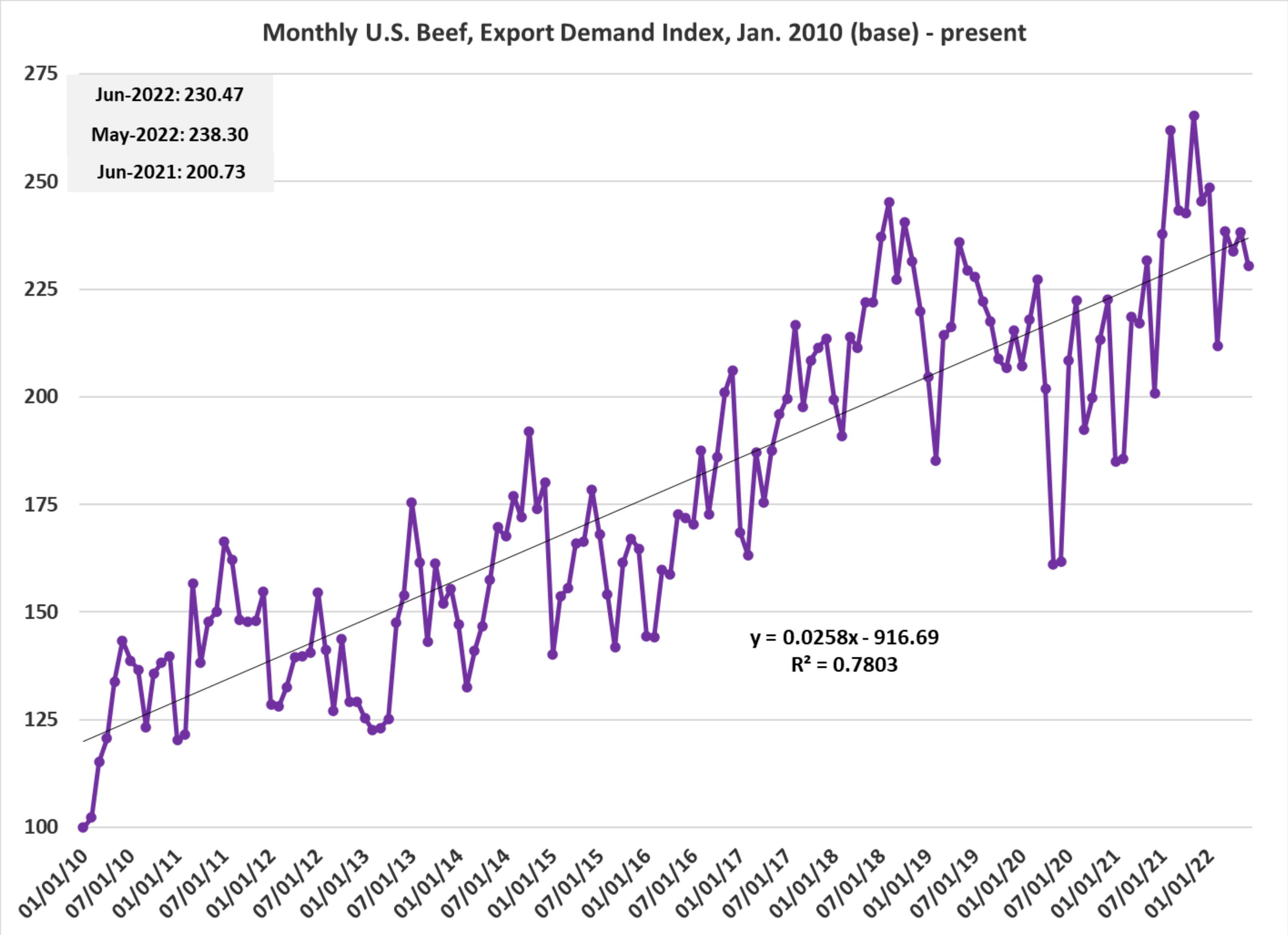
January 18, 2018

BEEF

Funded by the Beef Checkoff



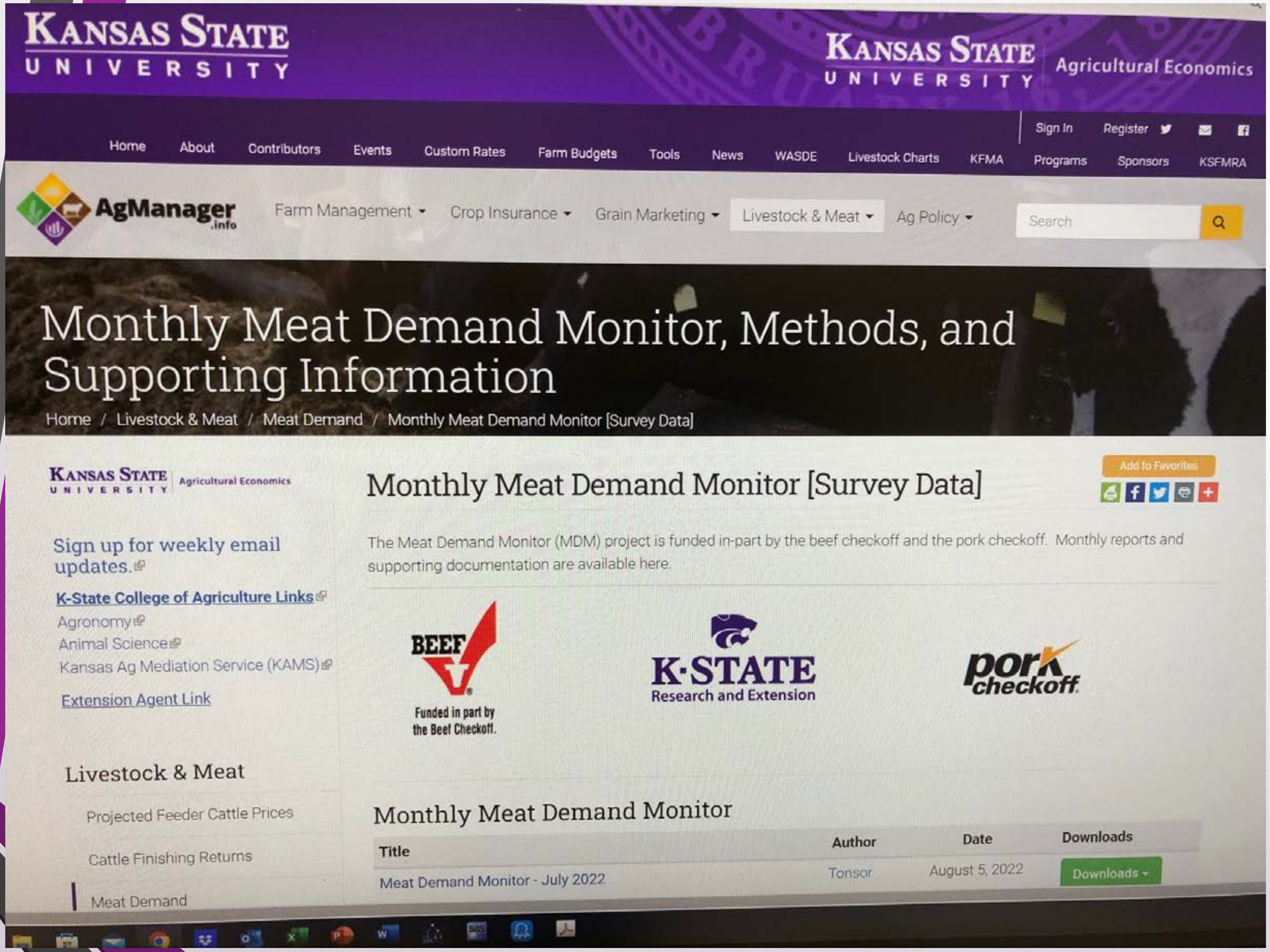
- Foreign purchases of U.S. beef in June 2022 were 130% higher than would have been if demand was at Jan. 2010 levels

- June 2022 export beef demand was below May 2022 & WELL above June 2021 levels

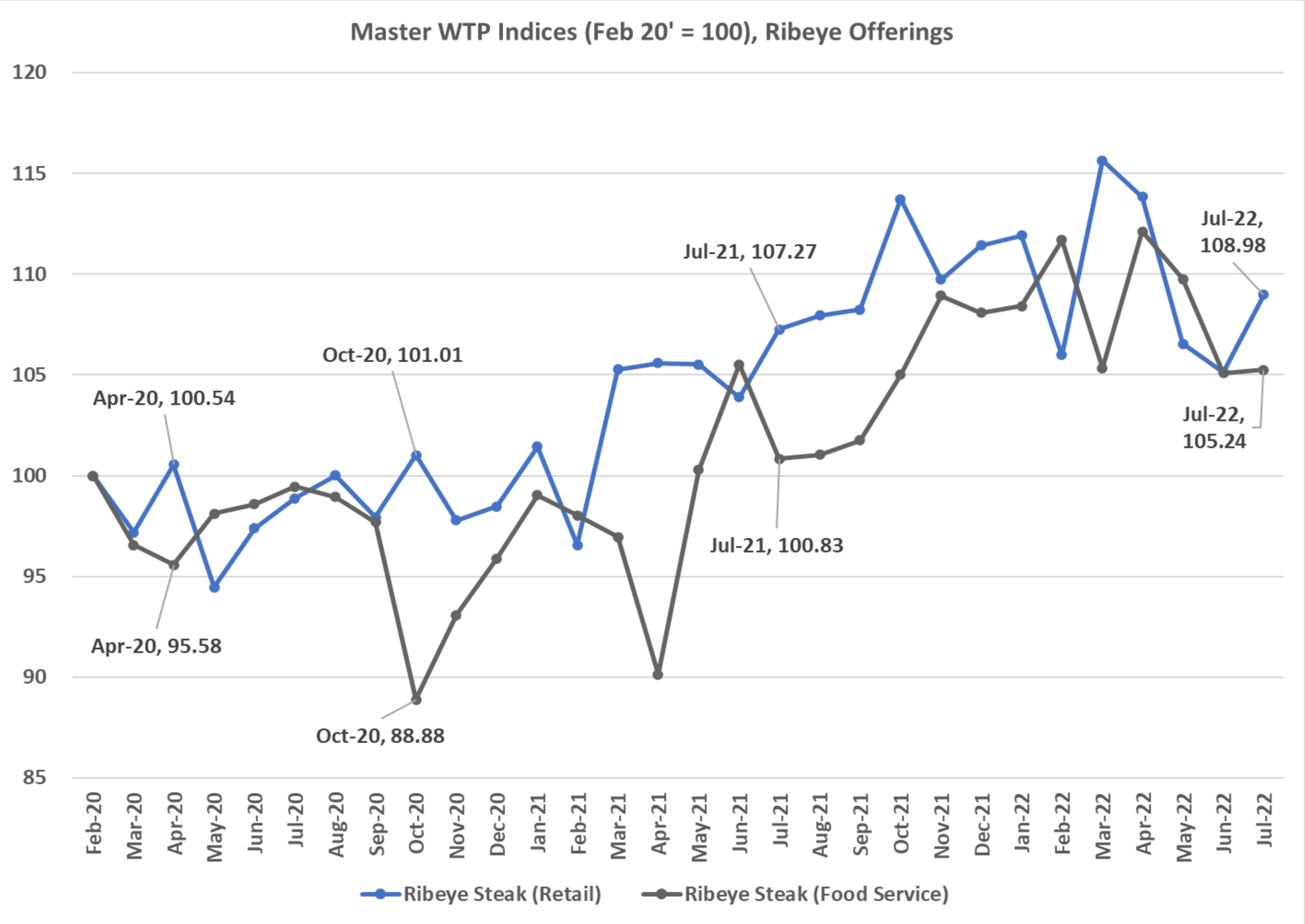
Monthly Meat Demand Monitor (MDM)

[Survey Data / Beef & Pork Checkoff Supported]

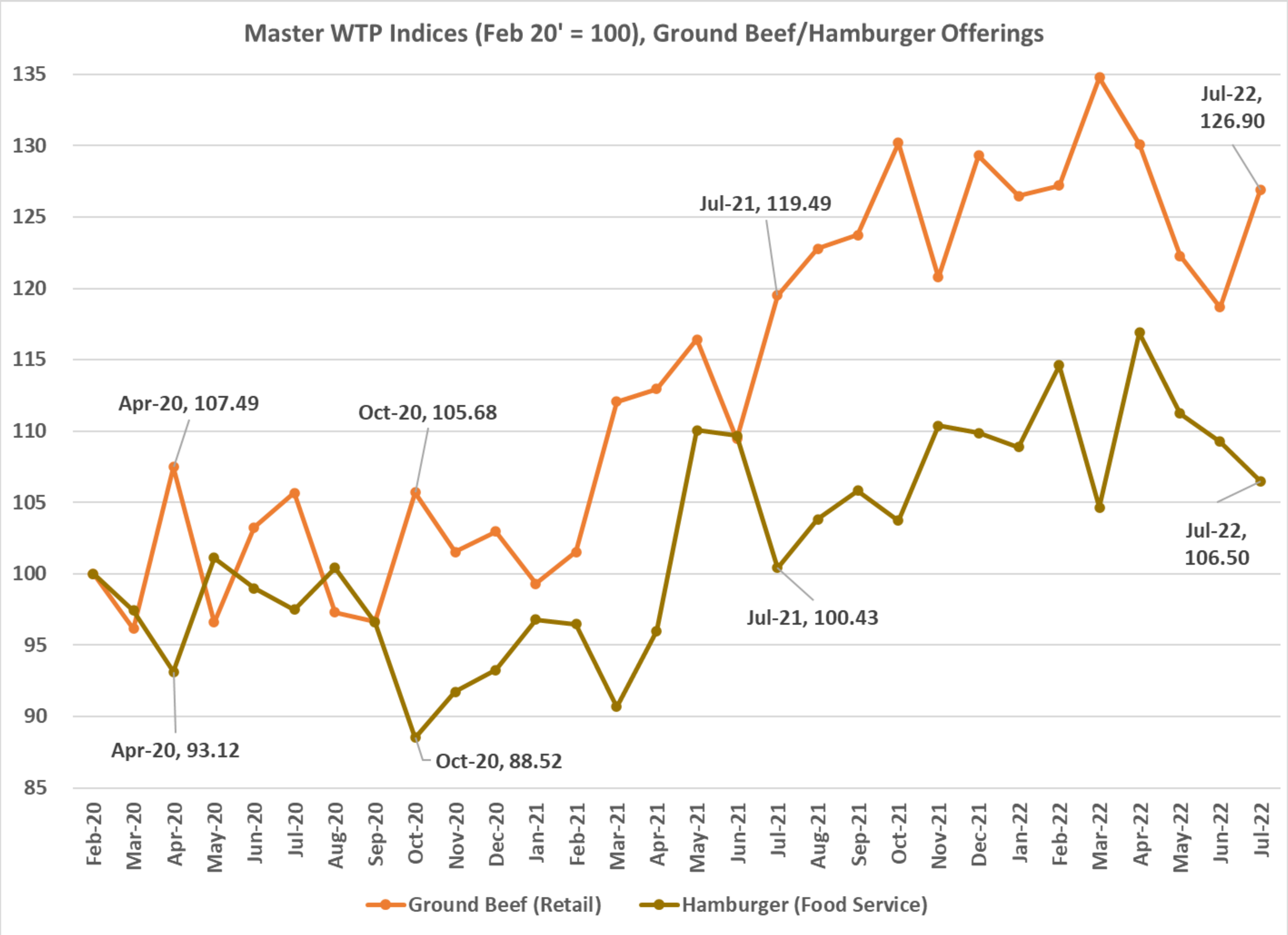
- Launched Feb. 2020
- Domestic insights specific to retail/grocery and food service/restaurant
- Monthly reports, often posted within 5 business days of month-end



- ✓ Monthly Summary Reports
- ✓ Data, Methods, & Procedures
- ✓ Academic Papers using MDM Data
- ✓ Use in Gov't Testimony
- ✓ Examples of Media Coverage

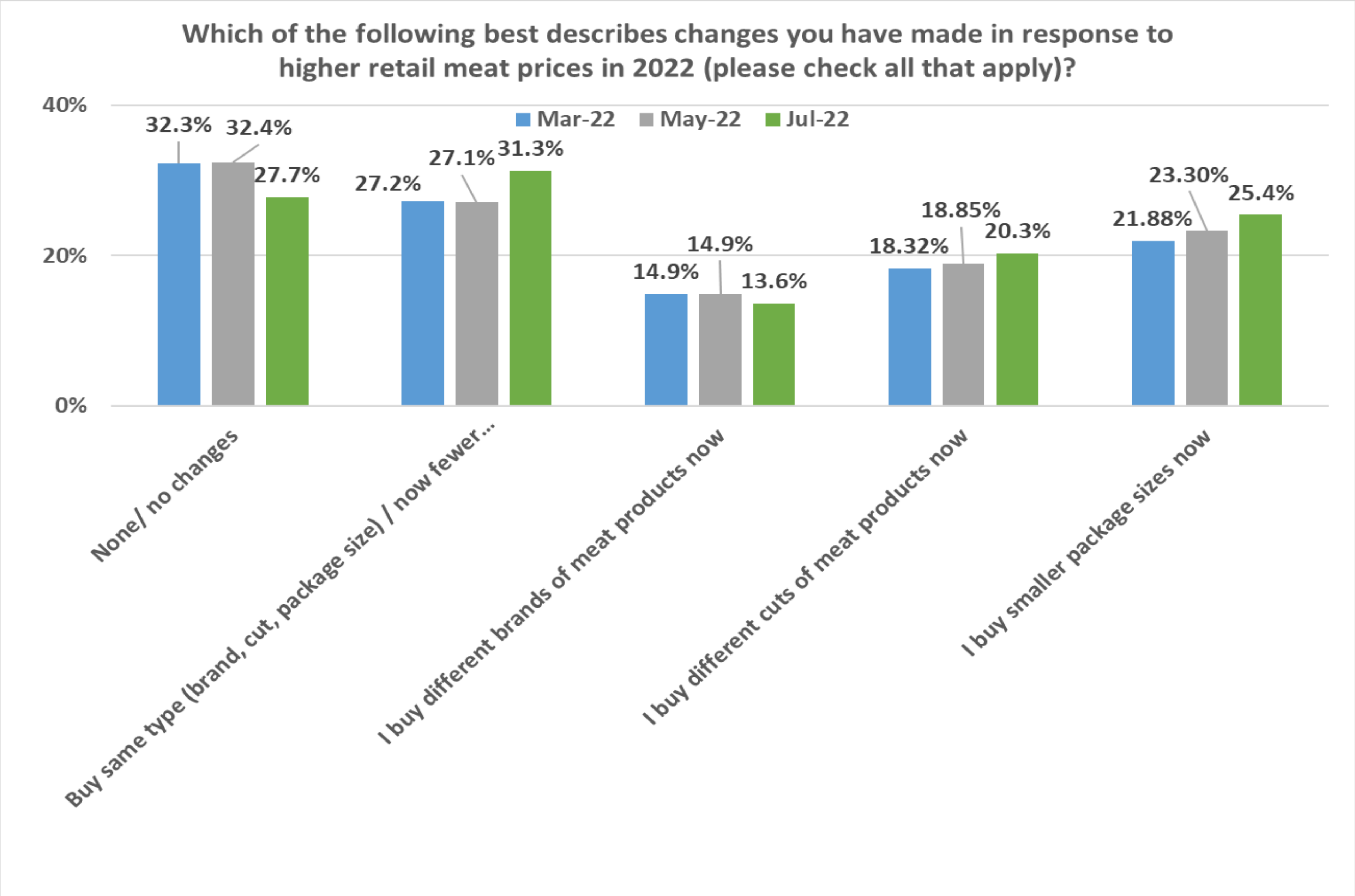


https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data



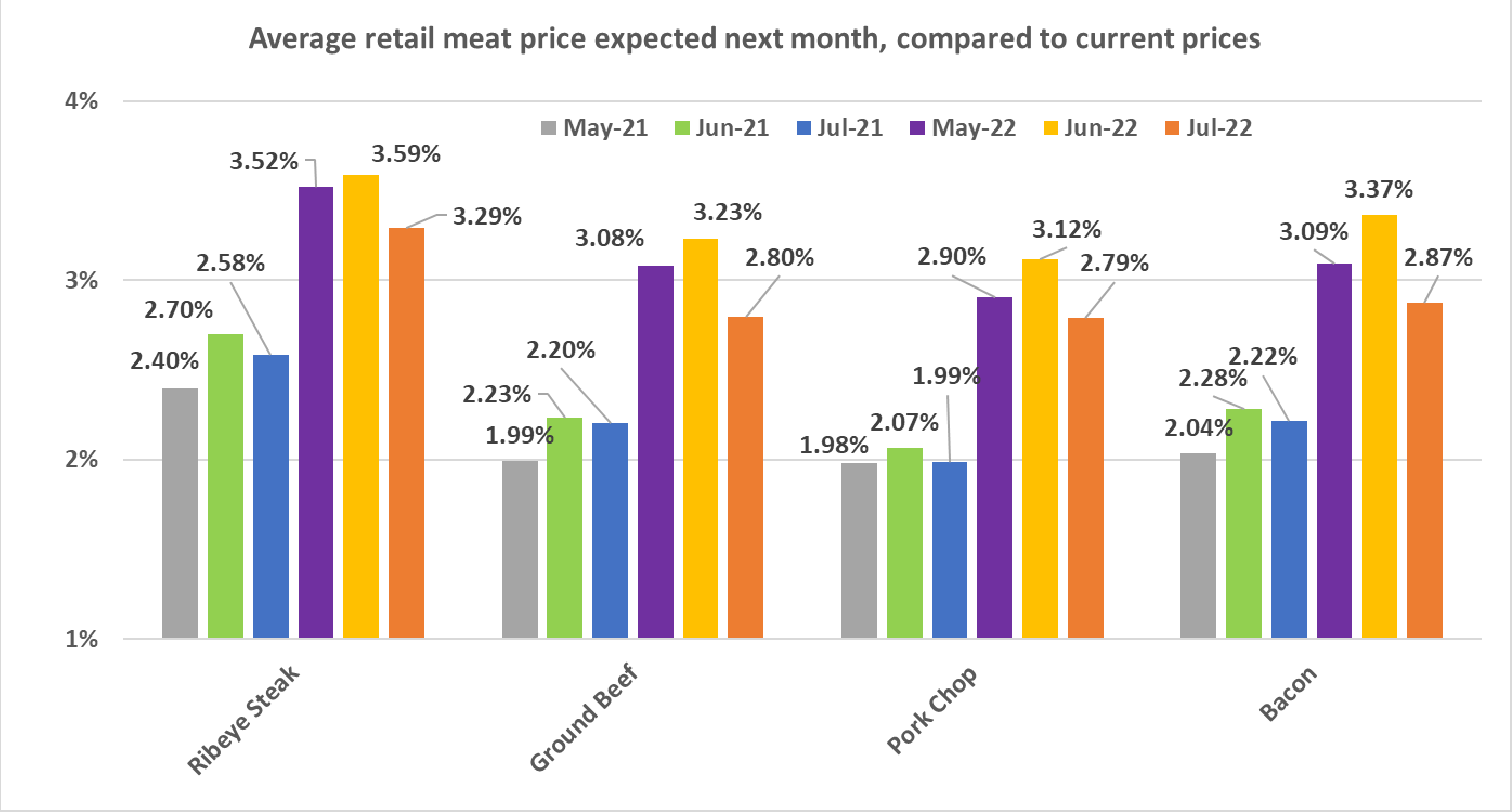
https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data

Inflation Adjustments Underway



Inflation Adjustments

Peaking Price Expectations?



MDM & Related Efforts Continue to Generate Research-Based Demand Insights…

Meat Science 190 (2022) 108843

Contents lists available at ScienceDirect

Meat Science

journal homepage: www.elsevier.com/locate/meatsci

U.S. perspective: Meat demand outdoes meat avoidance

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https://www.sciencedirect.com/science/article/pii/S0309174022001115

"MY DEAR BROTHERS AND SISTERS, TAKE NOTE OF THIS: EVERYONE SHOULD BE ***QUICK TO LISTEN***, ***SLOW TO SPEAK*** *…"* JAMES 1:19

More information available at:

This presentation will be available in PDF format at:

http://www.agmanager.info/about/contributors/individual/tonsor.asp

Host of additional industry resources are cross-linked as well