BEEF-CATTLE OUTLOOK

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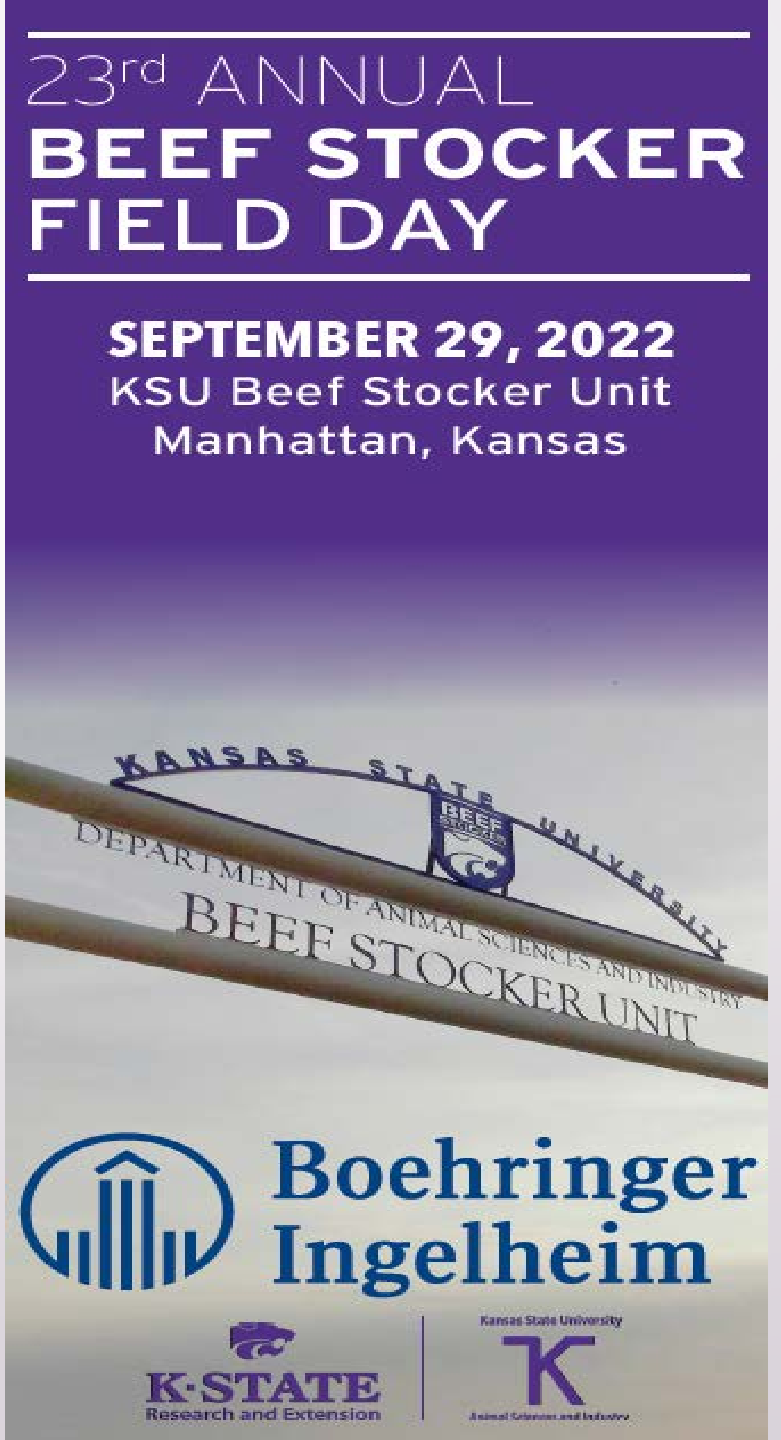
http://www.agmanager.info/about/contributors/individual/tonsor.asp



Simple Summary

1. Beef Demand (Domestic & Export) Has Been Solid
   - Can’t take it for granted…
2. Supply Dynamics, Likely Switching to Support Higher Cattle Prices
   - Net returns (reflecting costs) vs. higher revenue mindset matters…
3. Think Global & Manage Local
   - **Stay Informed YET focus on what you can influence**

Quarterly Forecasts (LMIC: 9/23/22)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2022						
I	8,405	1.5	835.6	0.3	7,022	1.8
II	8,669	1.9	815.4	-0.3	7,069	1.5
III	8,692	1.9	816.1	-0.3	7,094	1.6
IV	8,240	-3.4	834.1	0.2	6,873	-3.3
Year	34,004	0.5	825.1	-0.1	28,057	0.4
2023						
I	7,863	-6.4	837.3	0.2	6,583	-6.3
II	8,287	-4.4	819.0	0.4	6,787	-4.0
III	8,259	-5.0	821.6	0.7	6,786	-4.3
IV	7,988	-3.1	838.5	0.5	6,698	-2.5
Year	32,397	-4.7	828.9	0.5	26,854	-4.3
2024						
I	7,221	-8.2	842.9	0.7	6,087	-7.5
II	7,617	-8.1	825.5	0.8	6,288	-7.3
III	7,747	-6.2	830.4	1.1	6,433	-5.2
IV	7,483	-6.3	847.5	1.1	6,342	-5.3
Year	30,068	-7.2	836.4	0.9	25,150	-6.3

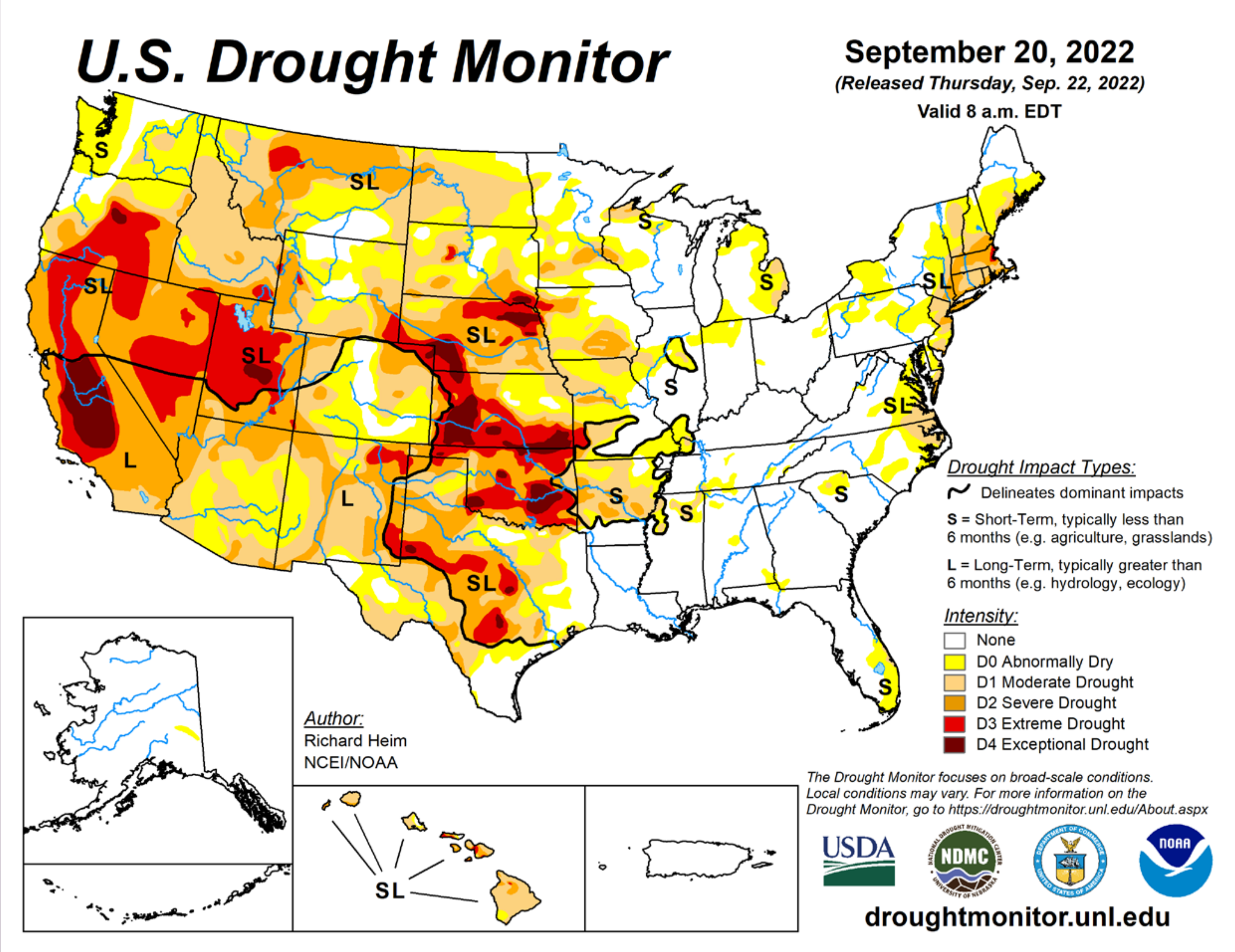
Data Source: Livestock Marketing Information Center

Quarterly Forecasts: Cattle (LMIC: 9/23/22)

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#
2022				
I	139.25	23.3	160.00	193.66
II	141.93	17.5	160.49	188.43
III	143-144	16.2	178-179	193
IV	145-148	10.7	187-190	192-195
Year	142-143	16.4	170-172	191-193
2023				
I	147-152	7.4	176-181	191-196
II	149-155	7.1	177-182	190-195
III	145-155	4.5	178-188	197-207
IV	147-157	3.8	181-191	200-210
Year	151-152	6.3	180-182	198-200
2024				
I	155-170	8.7	182-197	215-230
II	157-172	8.2	184-198	210-225
III	150-165	5.0	190-205	217-232
IV	154-169	6.3	187-202	222-237
Year	156-166	6.3	183-193	218-228

Data Source: Livestock Marketing Information Center

Context on Beef Cow Herd Dynamics



Beef Cows in states with 40% Good to Excellent		
Last year	Cows	% of Total
09/05/21	16181	**51.56%**
09/12/21	11933	**38.02%**
09/19/21	13111	**41.77%**
This Year		
09/04/22	9507	**30.08%**
09/11/22	10246	**32.42%**
09/18/22	9774	**30.92%**

Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
09/05/21	8225	**26.21%**
09/12/21	7640	**24.34%**
09/19/21	7640	**24.34%**
This Year		
09/04/22	16339	**51.69%**
09/11/22	14411	**45.59%**
09/18/22	14840	**46.95%**

Context on Beef Cow Herd Dynamics

Number of Beef Cows by Region							
	Western	Great Plains	Southern Plains	Cornbelt	Northeast	Southeast	U.S. Total
2016	9.9%	29.4%	20.6%	14.7%	1.2%	23.8%	30,166
2017	10.0%	29.2%	21.0%	15.0%	1.3%	23.3%	31,171
2018	10.2%	29.1%	21.0%	14.9%	1.3%	23.2%	31,466
2019	10.0%	29.1%	21.5%	14.7%	1.4%	23.0%	31,691
2020	10.2%	28.9%	21.3%	14.8%	1.4%	23.2%	31,339
2021	10.1%	28.7%	22.0%	14.4%	1.3%	23.2%	30,844
2022	10.3%	28.0%	21.9%	14.8%	1.3%	23.4%	30,125

Context on Beef Cow Herd Dynamics

Western: AZ, CA, ID, NV, NM, OR, UT, WA
Great Plains: CO, **KS,** MT, NE, ND, SD, WY
Southern Plains: OK, TX
Cornbelt: IL, IN, IA, MI, MN, MO, OH, WI
Southeast: AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV

Context on Beef Cow Herd Dynamics

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

An Updated Evaluation of the U.S. Cattle Cycle

Jaime R. Luke (jrluke@ksu.edu)
Andrew E. Anderson (ander909@ksu.edu)
Glynn T. Tonsor (gtonsor@ksu.edu)
Kansas State University Department of Agricultural Economics

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

Context on Beef Cow Herd Dynamics

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

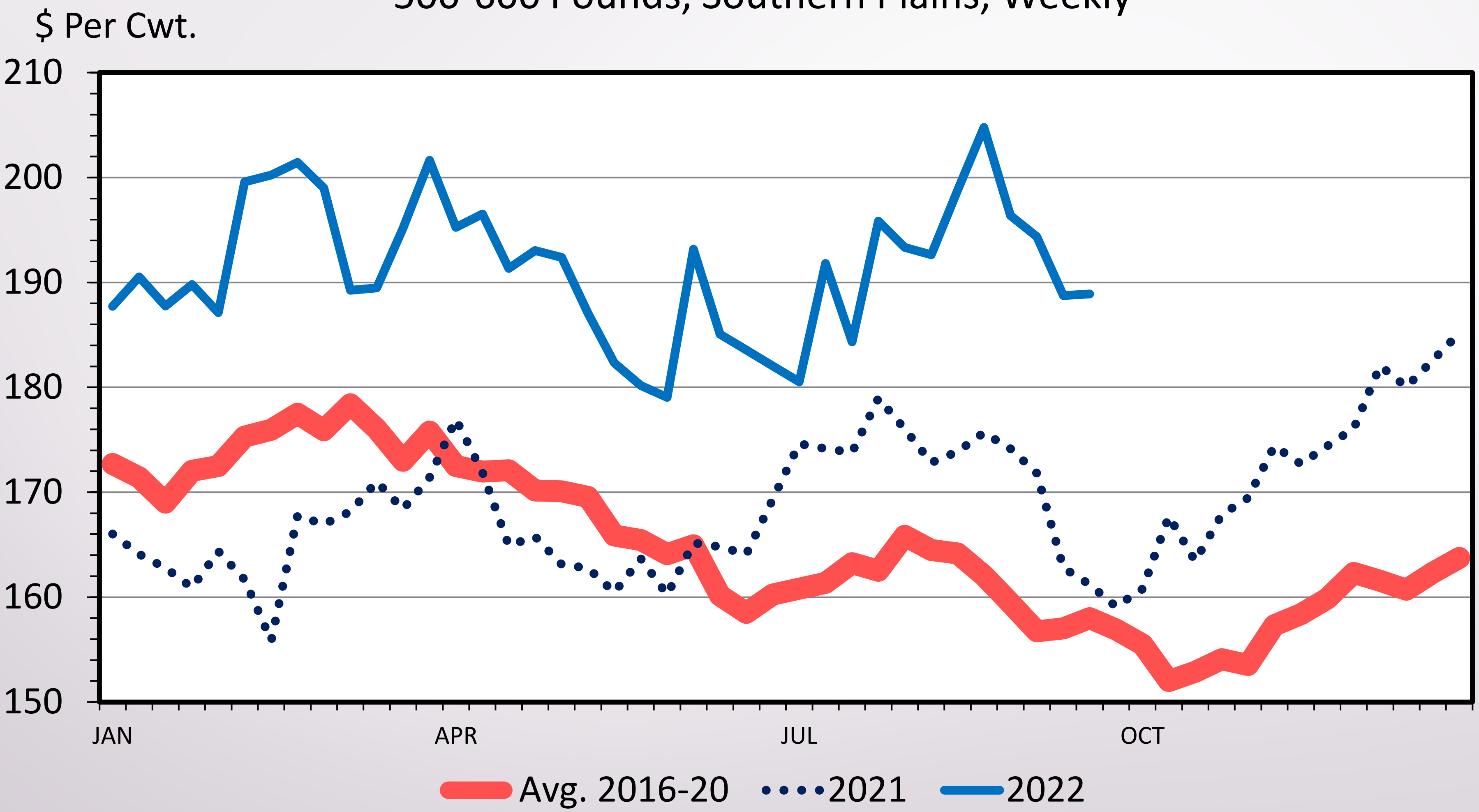
CATTLE CYCLE	AVERAGE	STD DEV	MIN	MAX	RANGE	RELATIVE RANGE*
1949-1958	21,772	3,867	15,919	25,659	9,740	44.7%
1958-1967	29,300	3,898	24,165	34,442	10,277	35.1%
1967-1979	39,505	3,520	34,708	45,711	11,003	27.9%
1979-1990	36,033	2,373	32,487	39,229	6,742	18.7%
1990-2004	33,688	909	32,454	35,318	2,864	8.5%
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.

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

MED. & LRG. #1 STEER CALF PRICES

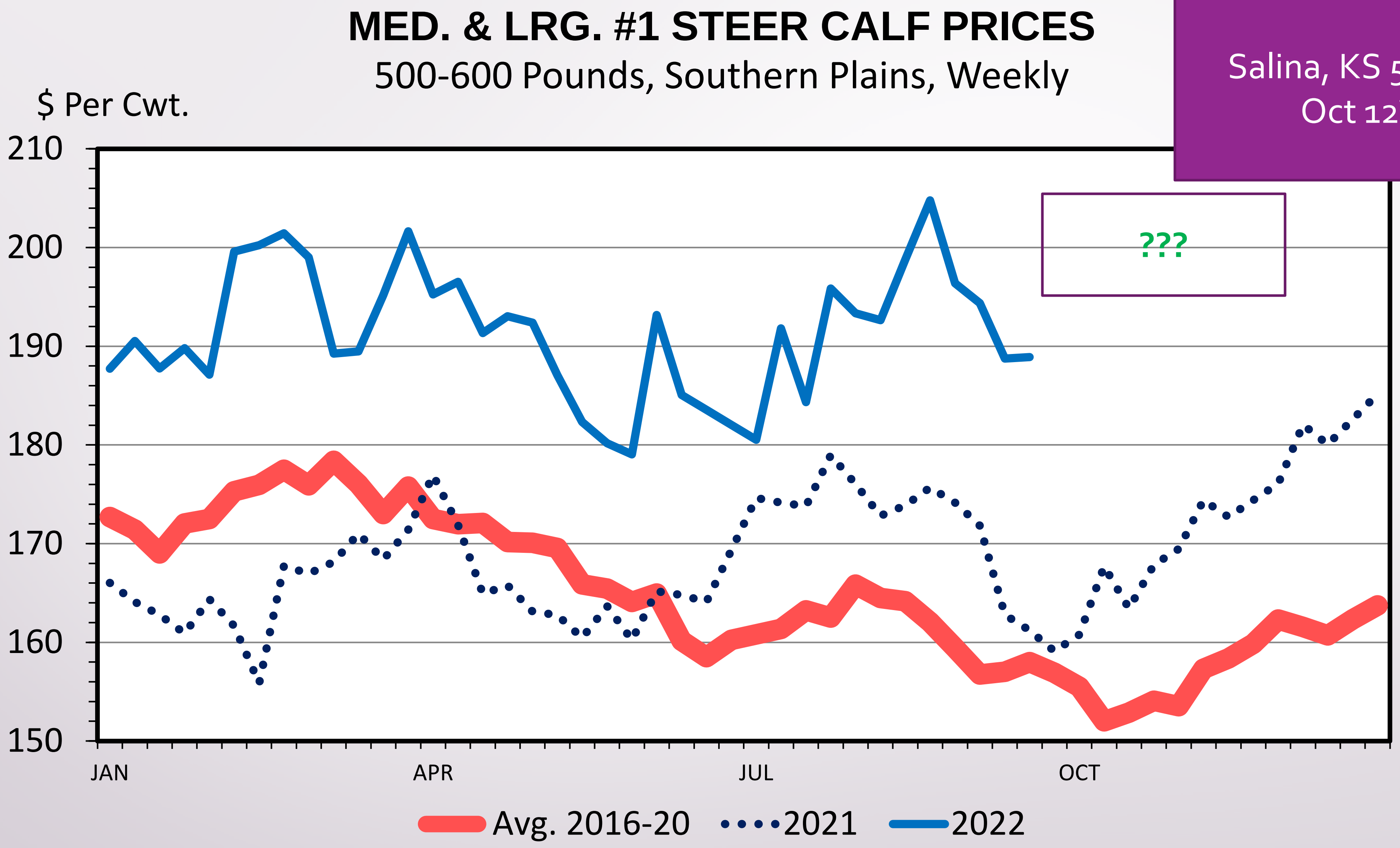
500-600 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
09/26/22



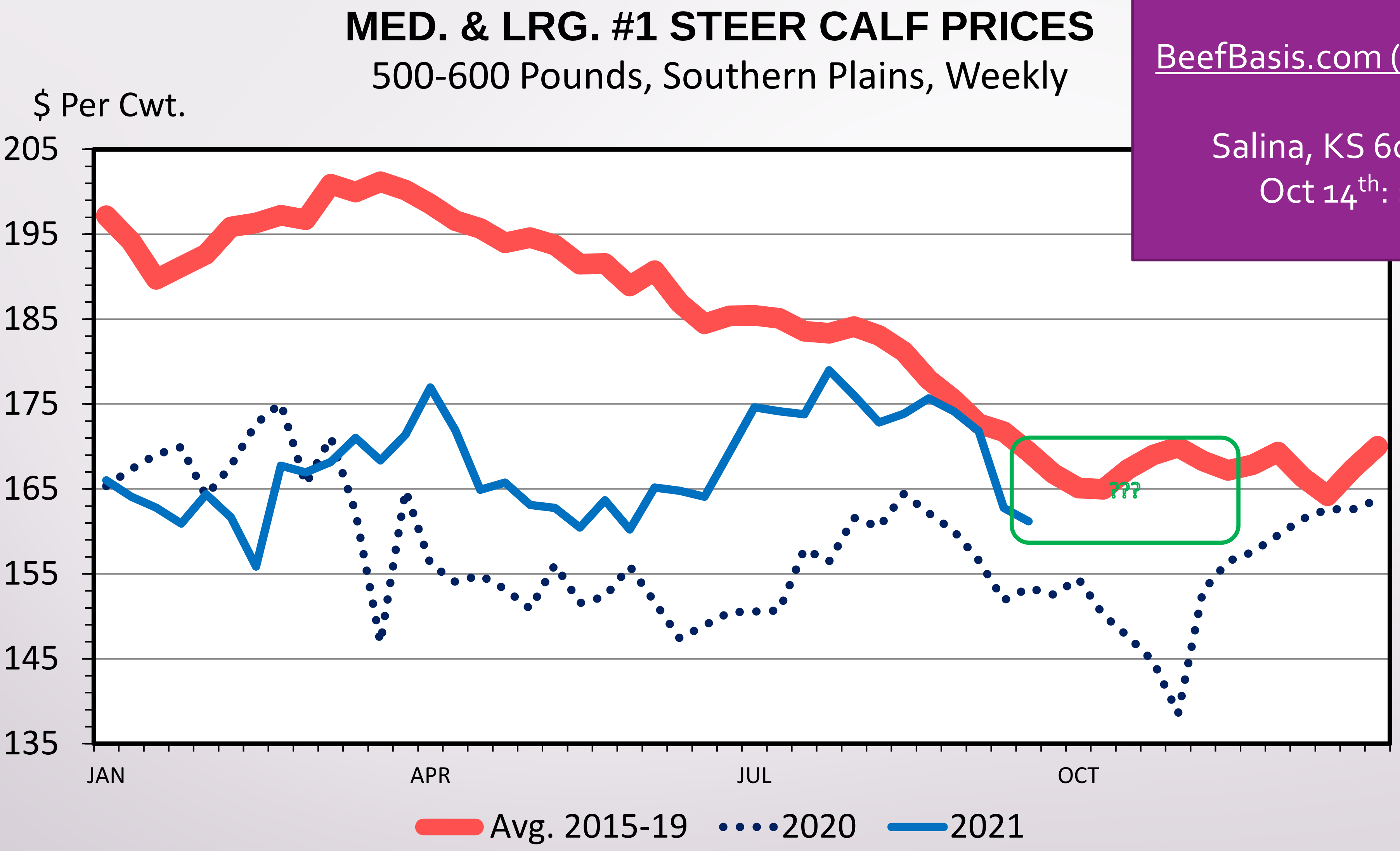
BeefBasis.com (as of Sept. 28th)

Salina, KS 5.50 cwt Steer on Oct 12th: $199/cwt

Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
09/26/22



BeefBasis.com (as of Sept. 29rd)

Salina, KS 6cwt Steer on Oct 14th: $168/cwt

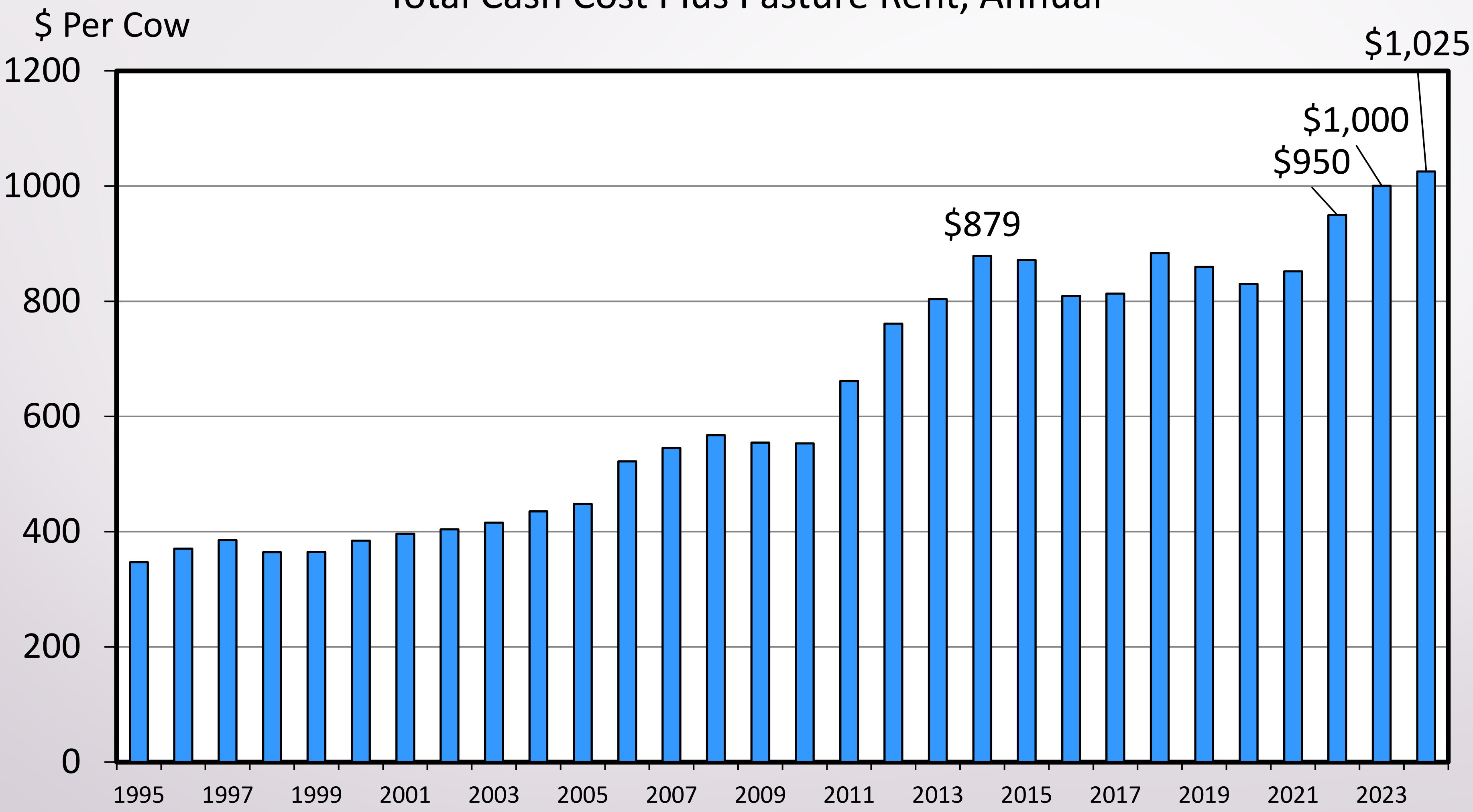
C-P-54
09/27/21

Data Source: USDA-AMS

Livestock Marketing Information Center

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

08/24/22

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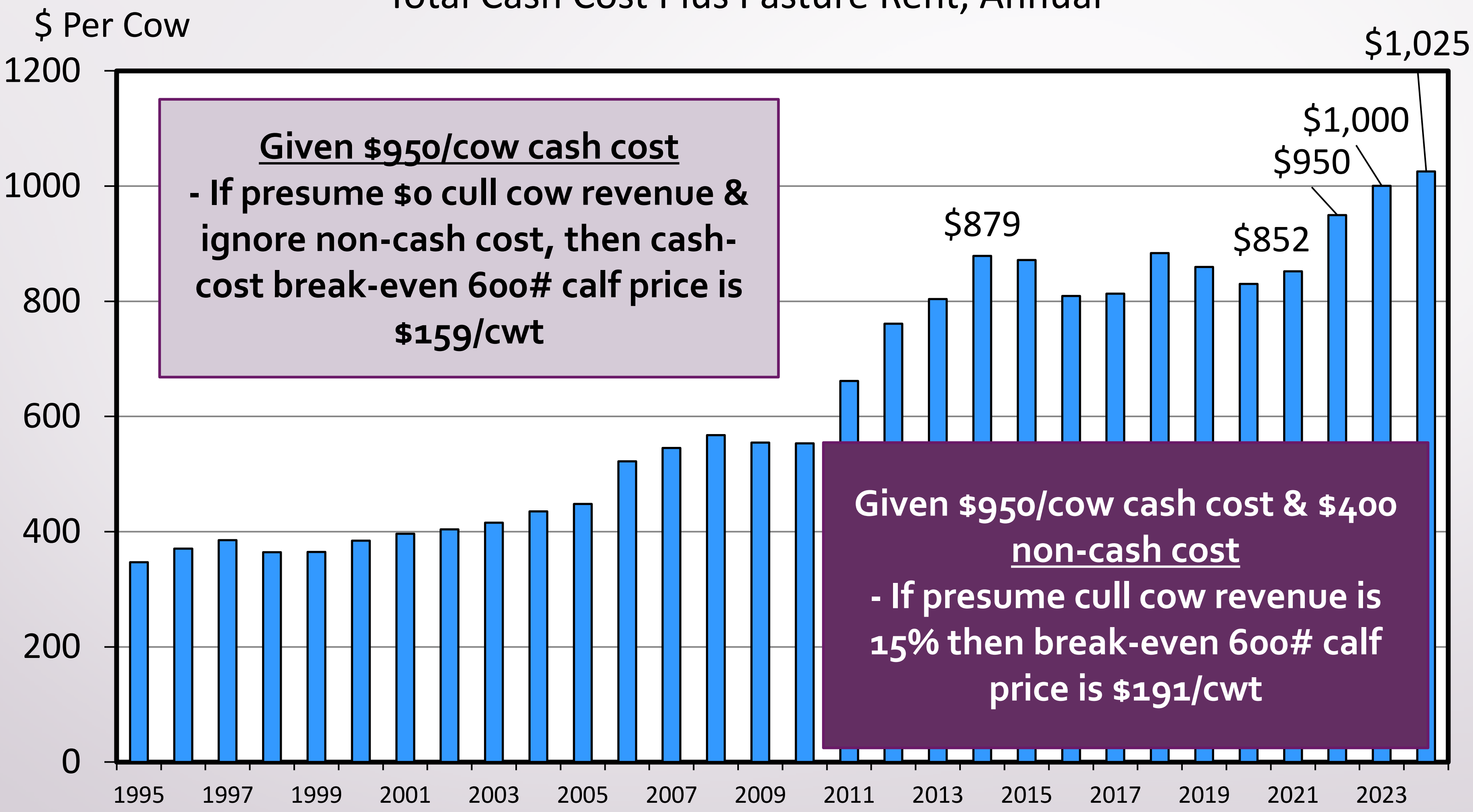
ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



<u>Given $950/cow cash cost</u>
- If presume $0 cull cow revenue & ignore non-cash cost, then cash-cost break-even 600# calf price is $159/cwt

Given $950/cow cash cost & $400 <u>non-cash cost</u>
- If presume cull cow revenue is 15% then break-even 600# calf price is $191/cwt

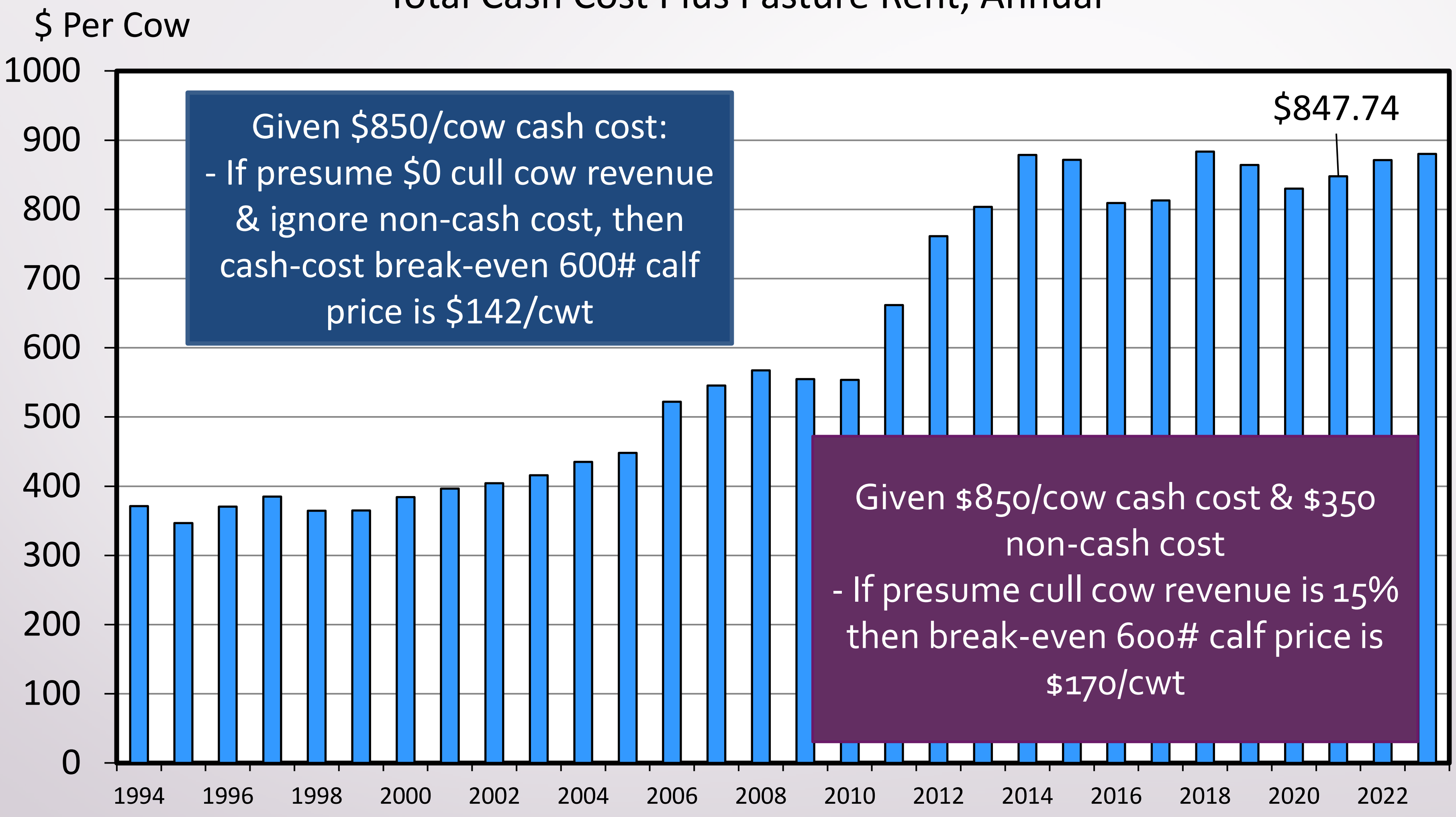
Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

08/24/22

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

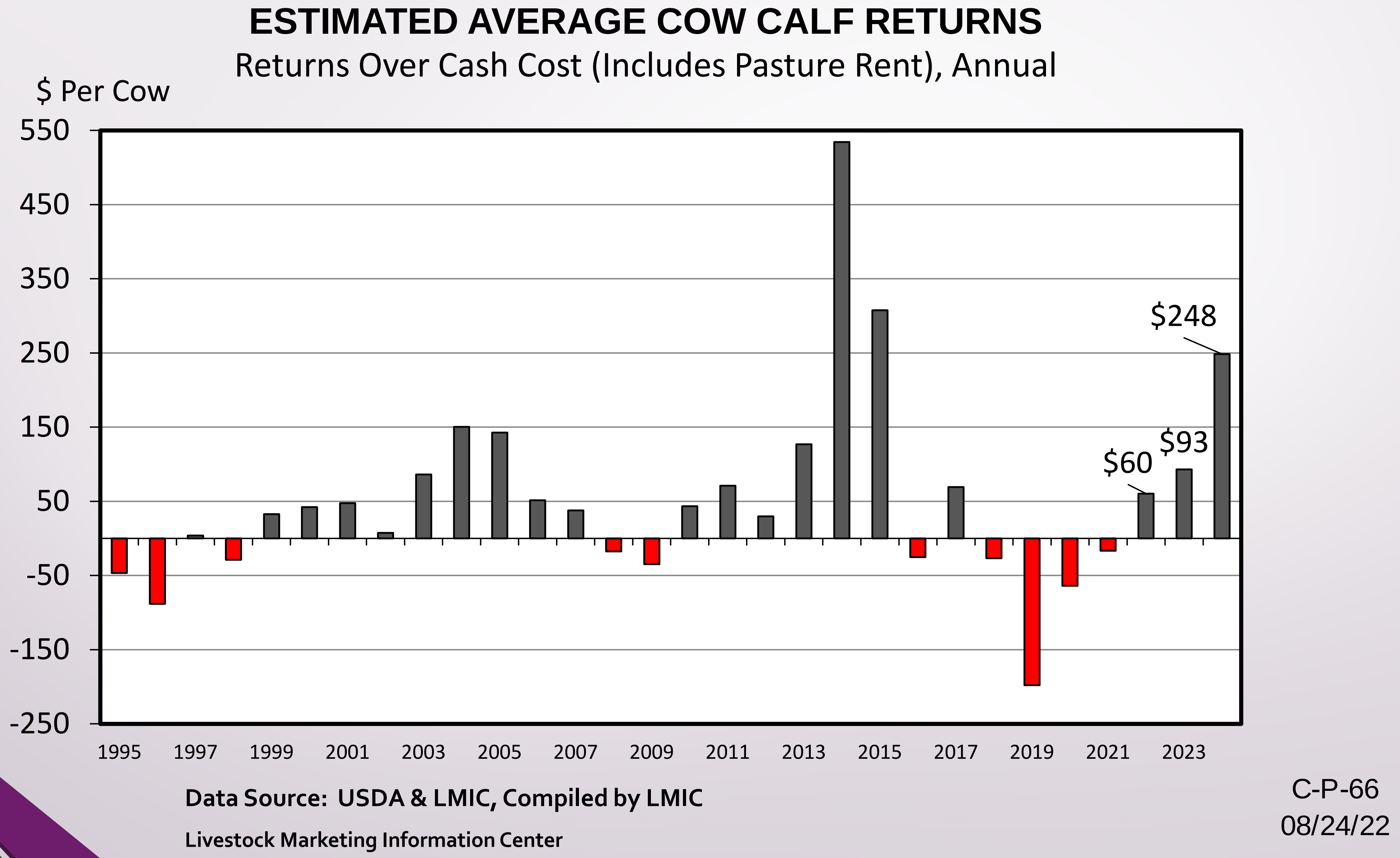


Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

09/01/21

NET Margins Matter!


ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual
$ Per Cow
550
450
350
250
150
50
-50
-150
-250
$248
$93
$60
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center
C-P-66
08/24/22

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina FALL CALF Market, as of 9/28

10/12/2022 Sell @ Weaning @ 600 lbs

- ***Expected Cash Price: $189/cwt***

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina BACKGROUND Market, as of 9/28

10/12/2022 Buy/Retail @ 600 lbs
1/11/2023 Sell @ 725 lbs
ADG=1.4

- ***Expected Buy Price: $189/cwt***
- ***Expected Sell Price: $179/cwt***
  - ***VOG: $168/head ($134/cwt)***

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina BACKGROUND Market, as of 9/28

10/12/2022 Buy/Retail @ 600 lbs
1/11/2023 Sell @ 725 lbs
ADG=1.4

- ***Expected Buy Price: $189/cwt***
- ***Expected Sell Price: $179/cwt***
  - ***VOG: $168/head***

- ***Could delay sale until Feb 3rd***
- ***1.1 lbs/day & 23 more DOF =***

$29/hd more revenue (+ maybe lower costs)

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina SUMMER GRASS Market, as of 9/28

4/5/2023 Buy/Retail @ 725 lbs
9/1/2023 Sell @ 950 lbs
DOF=149 & ADG=1.51

- ***Expected Buy Price: $189/cwt***
- ***Expected Sell Price: $179/cwt***
  - ***VOG: $152/cwt ($341/head)***

NET Margins Matter!

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

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.

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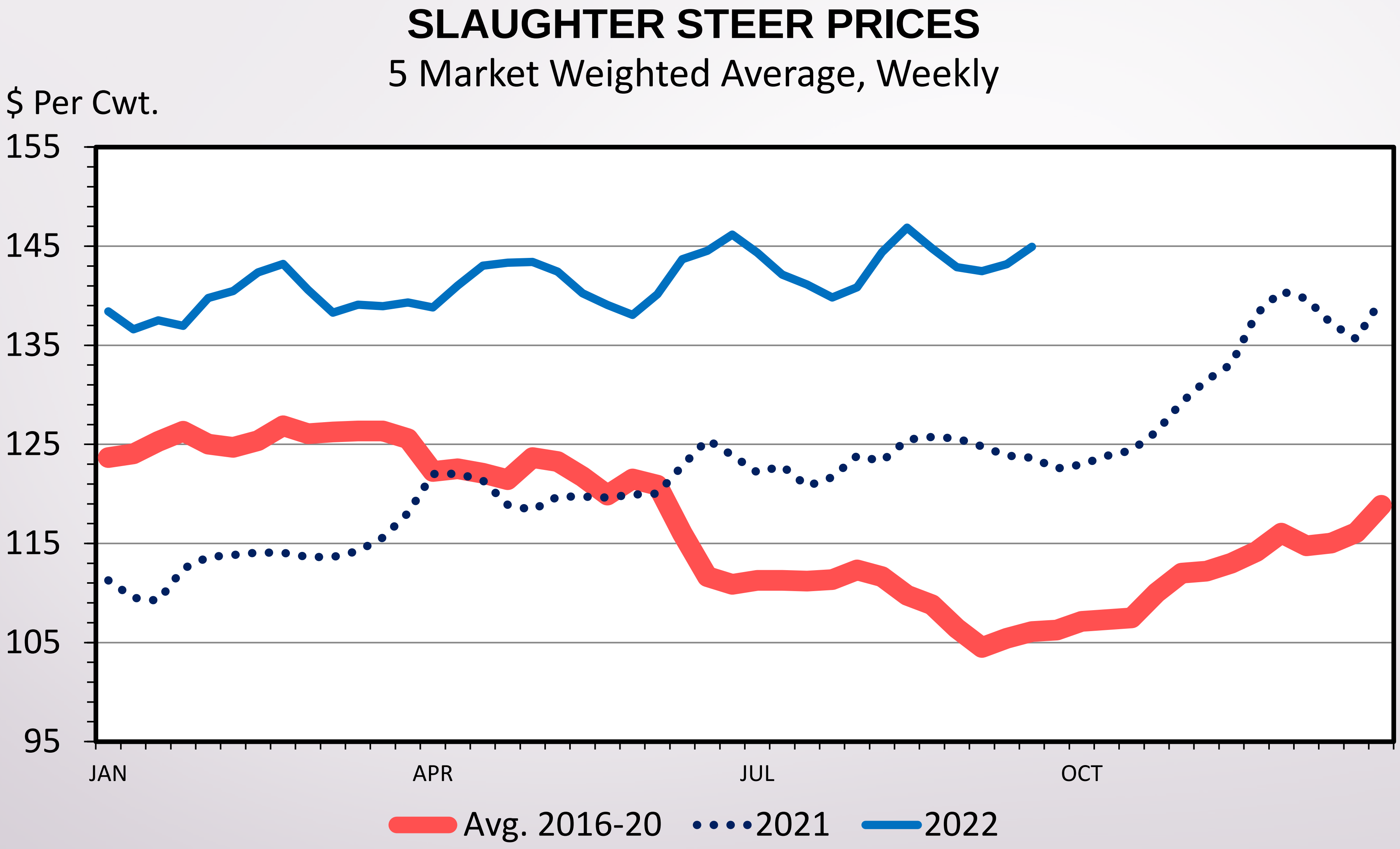
RMA

Always good to reassess your situation

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



Data Source: USDA-AMS

Livestock Marketing Information Center

09/26/22

Historical and Projected Kansas Feedlot Net Returns
(as of 9/22/22')

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

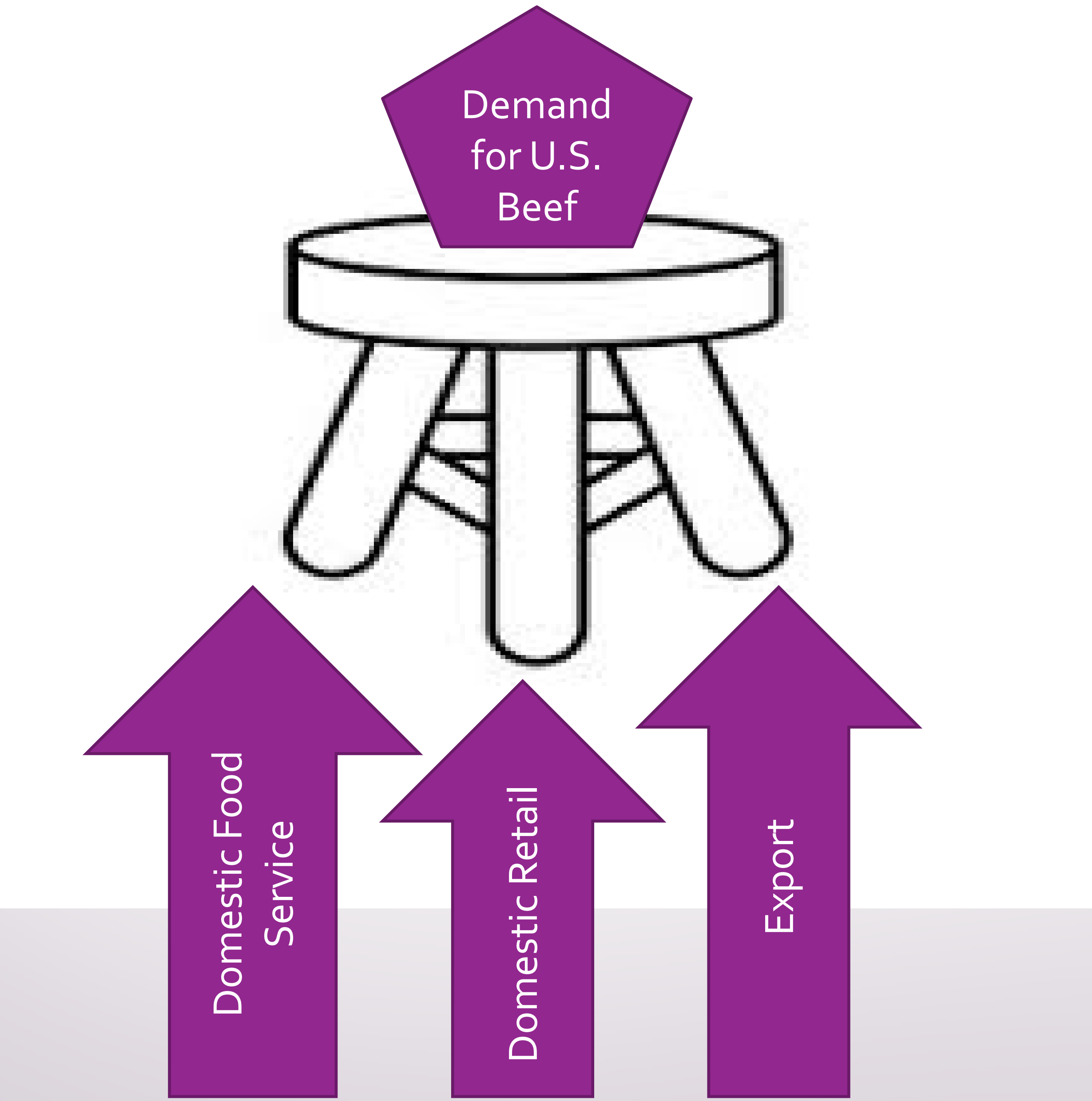
July 22': -$104/steer

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
Aug-22	-81.24	126.19	140.06	140.02	0.03	157.83	112.84	145.84	147.62
Sep-22	-36.59	130.99	145.51	144.85	0.66	156.52	124.42	148.13	152.15
Oct-22	21.46	132.23	150.09	149.35	0.74	156.95	135.74	148.61	159.49
Nov-22	54.56	129.93	149.96	149.35	0.61	154.57	138.74	146.21	161.11
Dec-22	137.80	127.88	155.02	153.78	1.25	155.35	149.53	145.57	172.13
Jan-23	92.64	127.14	154.14	153.78	0.36	160.54	141.24	147.72	172.33
Feb-23	59.12	123.06	157.74	157.53	0.22	172.55	132.53	153.63	179.82
Mar-23	87.59	124.66	160.51	157.53	2.99	173.02	138.67	154.26	184.29
Apr-23	65.16	123.04	158.60	153.95	4.65	174.26	133.52	153.86	182.94
May-23	120.01	119.79	161.47	153.95	7.52	175.67	138.49	152.93	191.38

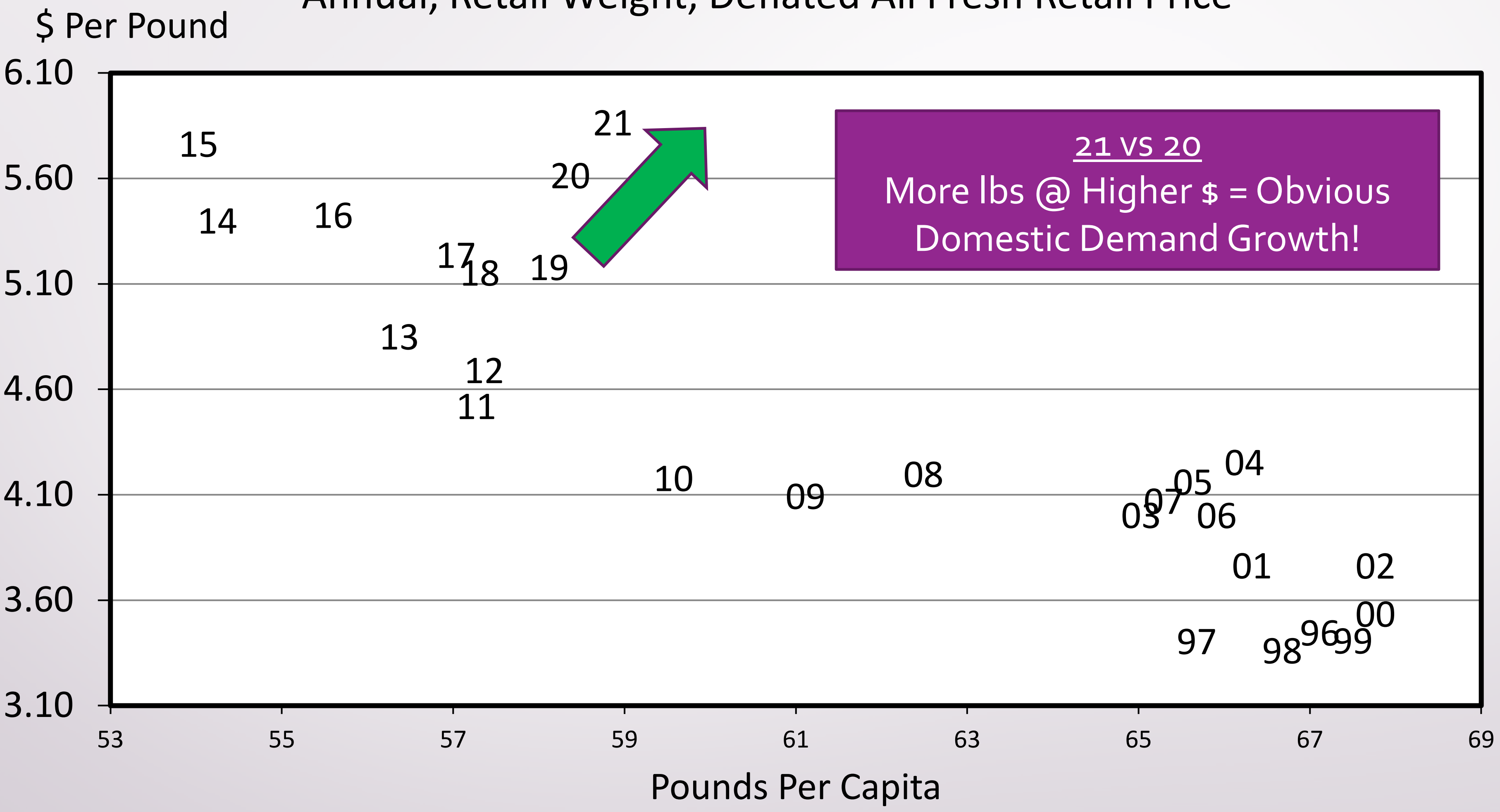
Representative Barometer for Trends in Profitability

Recent Beef Demand Patterns


Demand for U.S. Beef
Domestic Food Service
Domestic Retail
Export

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price



Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled by LMIC

Livestock Marketing Information Center

C-P-65A
06/30/22

Monthly Meat Demand Monitor, Methods, and Supporting Information

Home / Livestock & Meat / Meat Demand / Monthly Meat Demand Monitor [Survey Data]

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K-State College of Agriculture Links

Agronomy

Animal Science

Kansas Ag Mediation Service (KAMS)

Extension Agent Link

Livestock & Meat

- Projected Feeder Cattle Prices
- Cattle Finishing Returns
- Meat Demand
  - Meat Demand Research Studies
  - Monthly Domestic Meat Demand Indices [USDA/BLS Data]
  - Monthly Export Meat Demand Indices [USDA/BLS Data]
  - **Monthly Meat Demand Monitor [Survey Data]**

Add to Favorites

Monthly Meat Demand Monitor [Survey Data]

The Meat Demand Monitor (MDM) project is funded in-part by the beef checkoff and the pork checkoff. Monthly reports and supporting documentation are available here.

BEEF Funded in part by the Beef Checkoff.

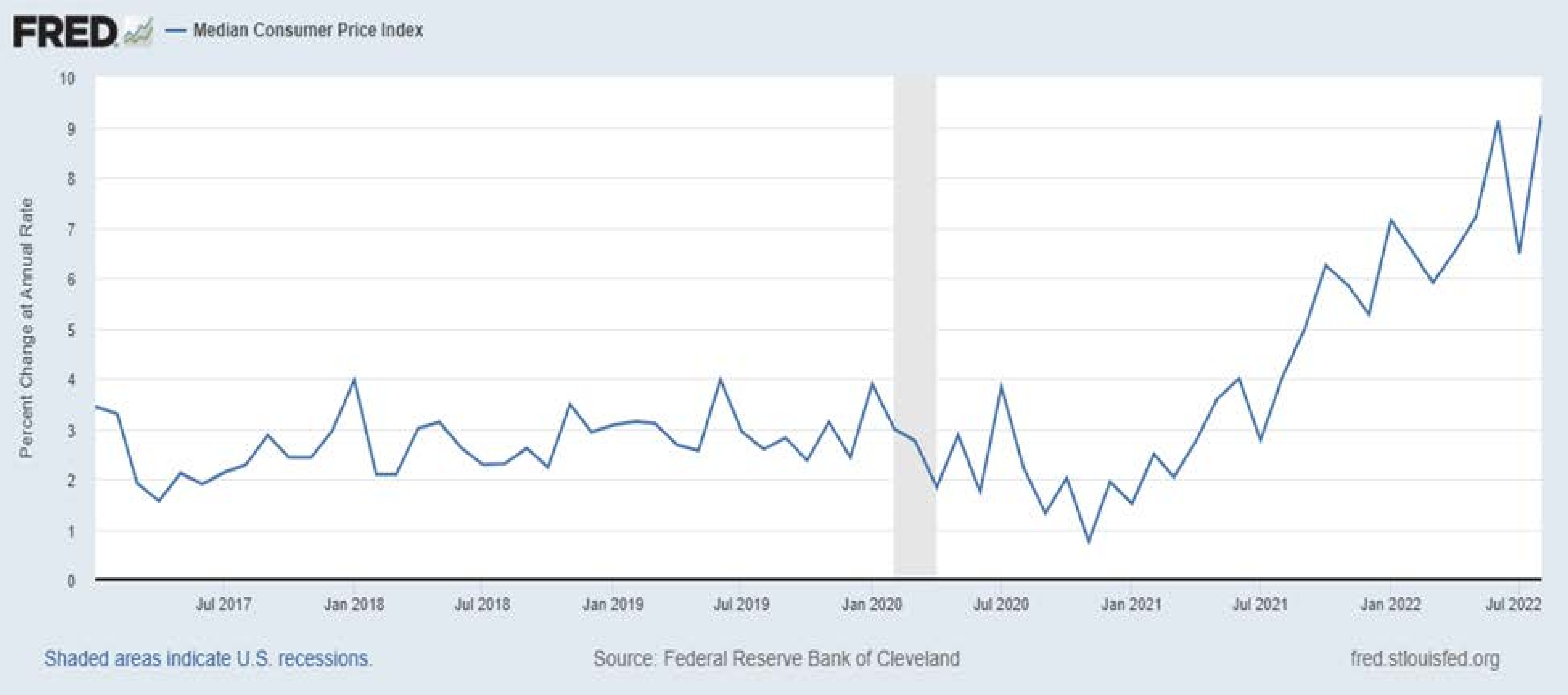
K-STATE Research and Extension

pork checkoff

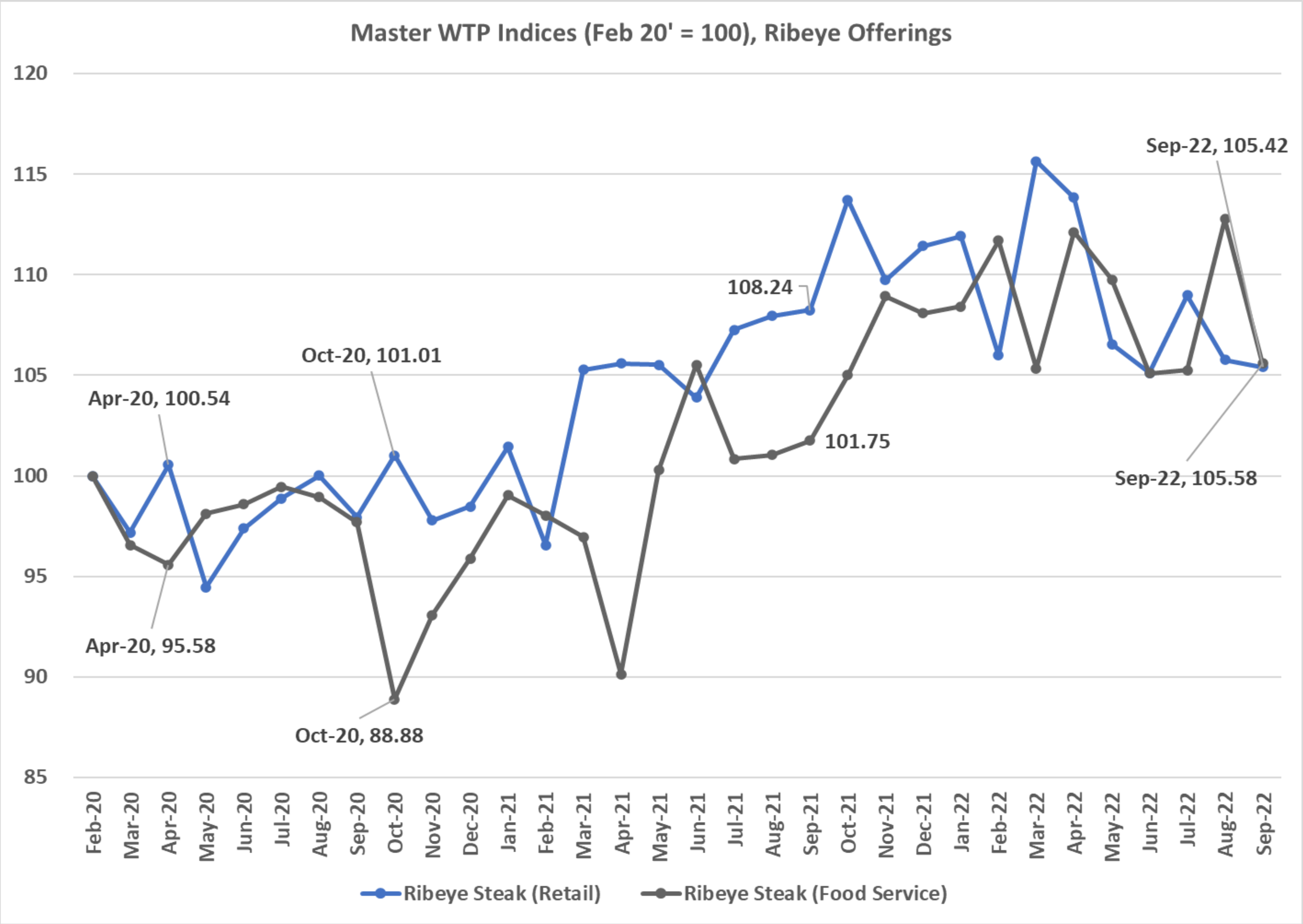
Monthly Meat Demand Monitor

Title	Author	Date	Downloads
Meat Demand Monitor - August 2020	Tonsor	September 4, 2020	Downloads
Meat Demand Monitor - July 2020	Tonsor	August 4, 2020	Downloads
Meat Demand Monitor - February-June 2020 Summary Report	Tonsor	July 27, 2020	Downloads
Meat Demand Monitor - June 2020	Tonsor	July 2, 2020	Downloads
Meat Demand Monitor - May 2020	Tonsor	May 29, 2020	Downloads
Meat Demand Monitor - Coronavirus (COVID-19) Impact on U.S. Meat Demand:	Tonsor	May 12, 2020	Downloads

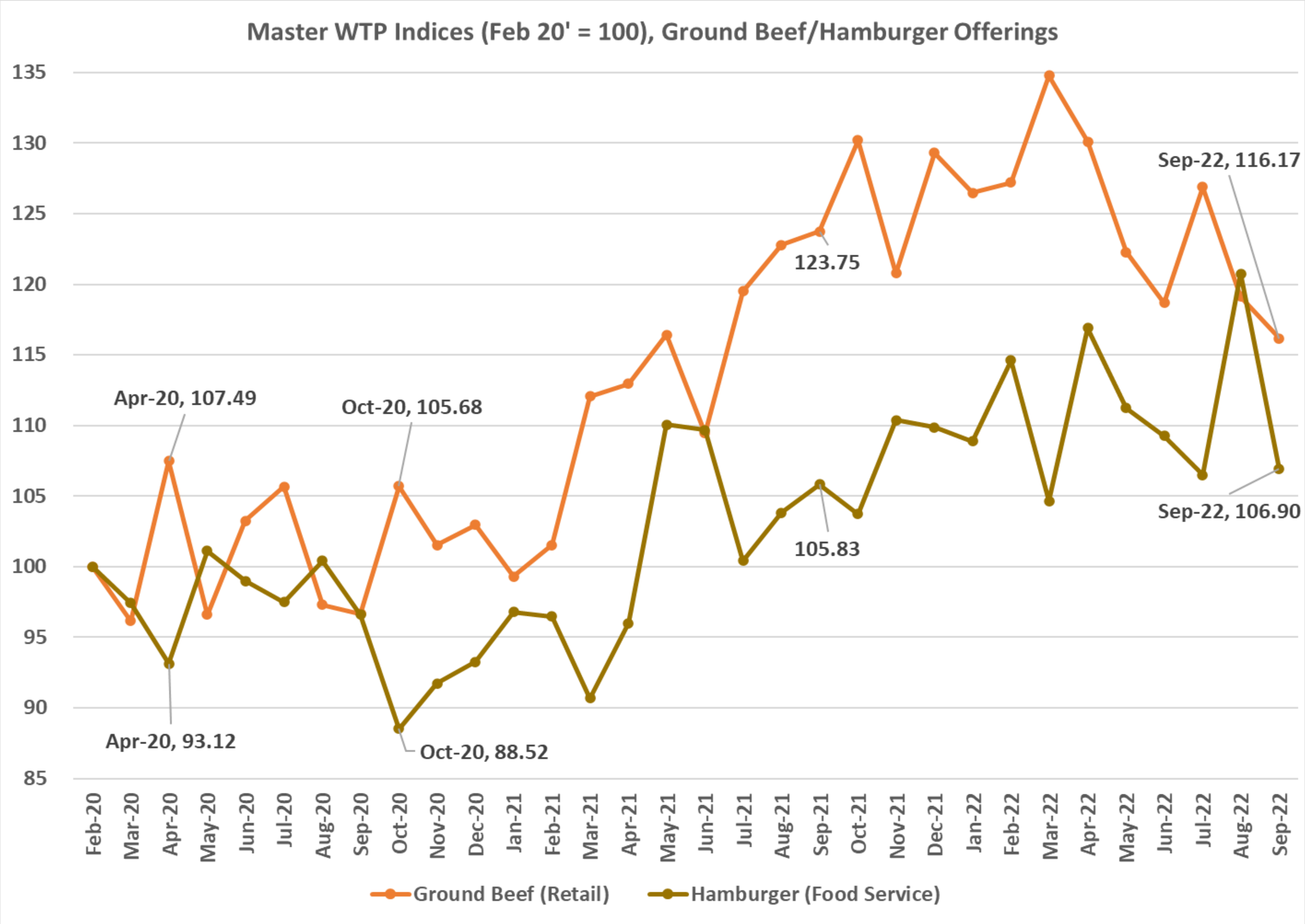
https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data


FRED
— Median Consumer Price Index
Percent Change at Annual Rate
10
9
8
7
6
5
4
3
2
1
0
Jul 2017
Jan 2018
Jul 2018
Jan 2019
Jul 2019
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022
Jul 2022
Shaded areas indicate U.S. recessions.
Source: Federal Reserve Bank of Cleveland
fred.stlouisfed.org

FRED
Employed full time: Median usual weekly real earnings: Wage and salary workers: 16 years and over
1982-84 CPI Adjusted Dollars
400
390
380
370
360
350
340
Q3 2017
Q1 2018
Q3 2018
Q1 2019
Q3 2019
Q1 2020
Q3 2020
Q1 2021
Q3 2021
Q1 2022
Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Labor Statistics
fred.stlouisfed.org



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

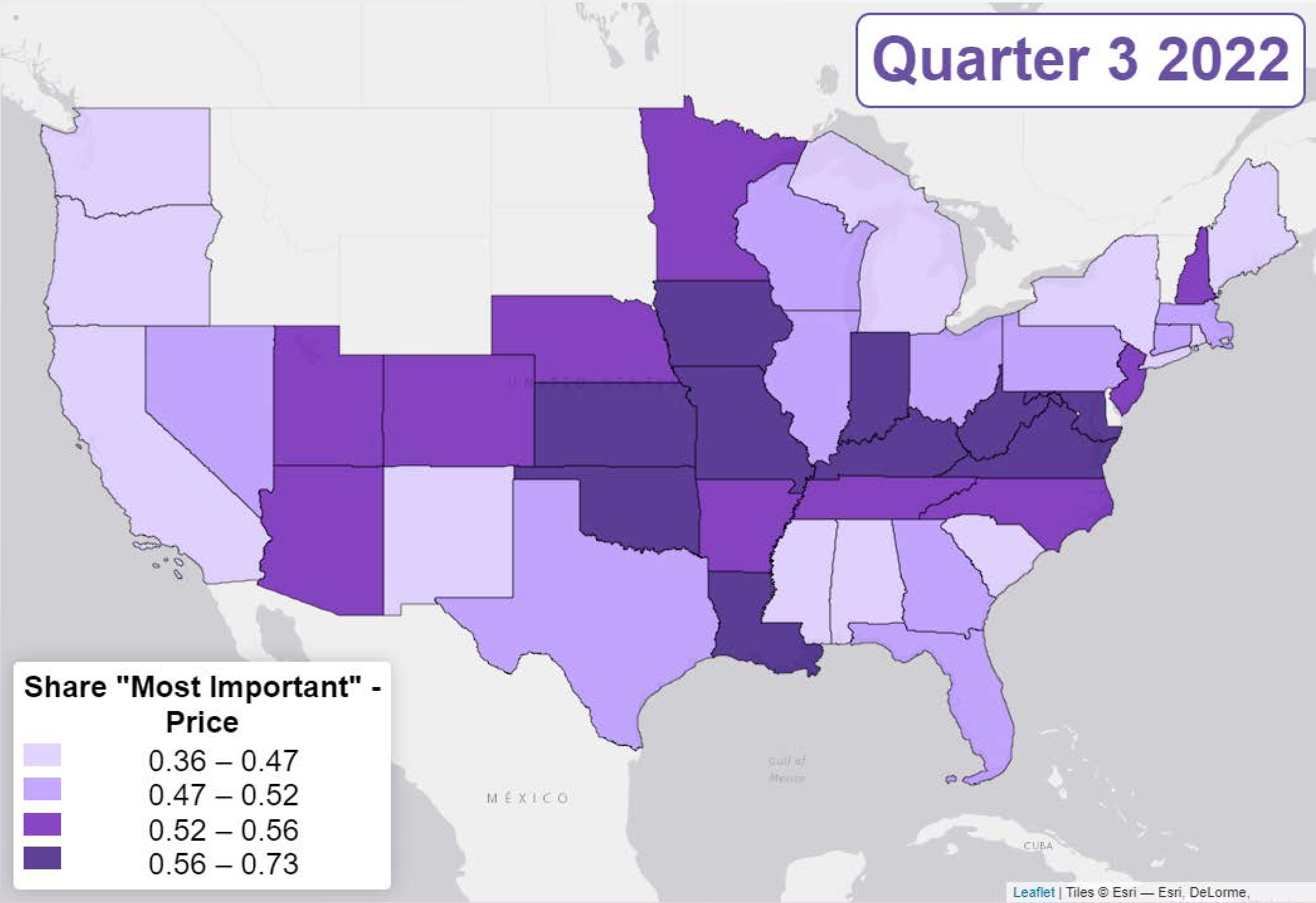
How Has Economy-Wide Inflation Impacted Consumer Sensitivity to Pork Prices?

Tonsor & Lusk, Sept 2022 – National Pork Board Report

- Real earnings declined since Q2.2020
- Relative importance of Price (#MDM) higher in Q2.2022 than Q2.2021
- Analysis of IRI Scanner data (Jan 2017 – Aug 2022)
  - Consumers are becoming more sensitive to prices on retail pork products

https://www.agmanager.info/livestock-meat/meat-demand/meat-demand-research-studies/how-has-economy-wide-inflation-impacted

<u>Where</u> is Price Most Important in Protein Purchasing Decisions?



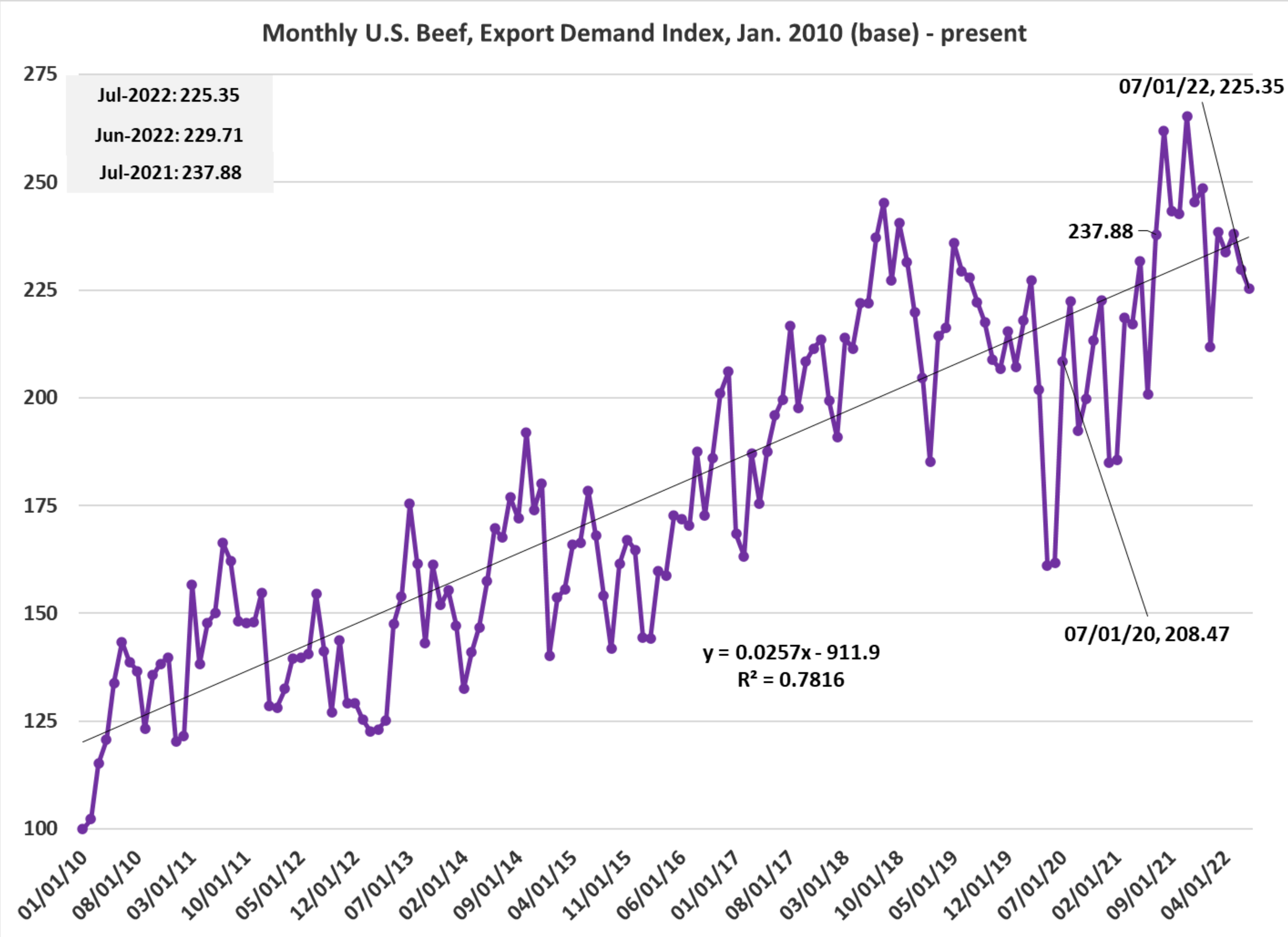
Q3-2022

Nationally: 50%

IA: 73%
WV: 73%

RI: 36%
WA: 40%

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



https://www.agmanager.info/livestock-meat/meat-demand/monthly-export-meat-demand-indices-usdabls-data

Other Topics We Could Discuss

- Meat Demand Outdoes Meat Avoidance (https://www.sciencedirect.com/science/article/pii/S0309174022001115)
- Capacity Discussions
  - See 8/22 KDA Ag Growth Summit Presentation, Beef Processing Update
  - Similar thought needed on Feedlot Capacity & Impact of Utilization on Margins
- Work to Improve Fed Cattle Price Reporting Continues
  - https://onlinelibrary.wiley.com/doi/10.1002/aepp.13324

Take-Home Summary

- Herd Dynamics = Reduced Beef Supplies = <u>Likely</u> Higher Cattle Prices
- Demand Story Mixed
  - Export Demand DESPITE Strong USD & Logistical Challenges
  - Domestic Demand Slipping as U.S. Consumer Buying Power Erodes
- ***Industry Continues to Operate in Period of Elevated Uncertainty…***

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