

Current Livestock and Meat Issues

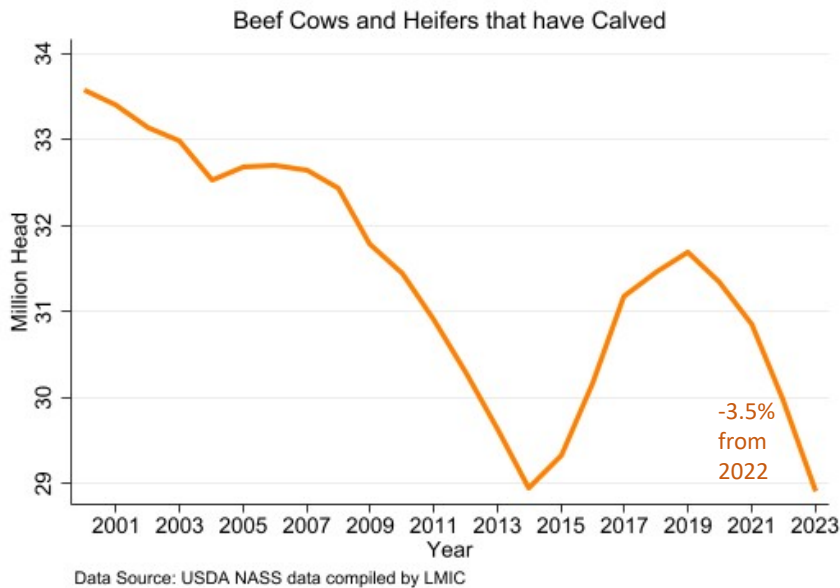
Brian Coffey
Crop Insurance Workshop
October 20, 2023



Some Issues to Consider for 2023

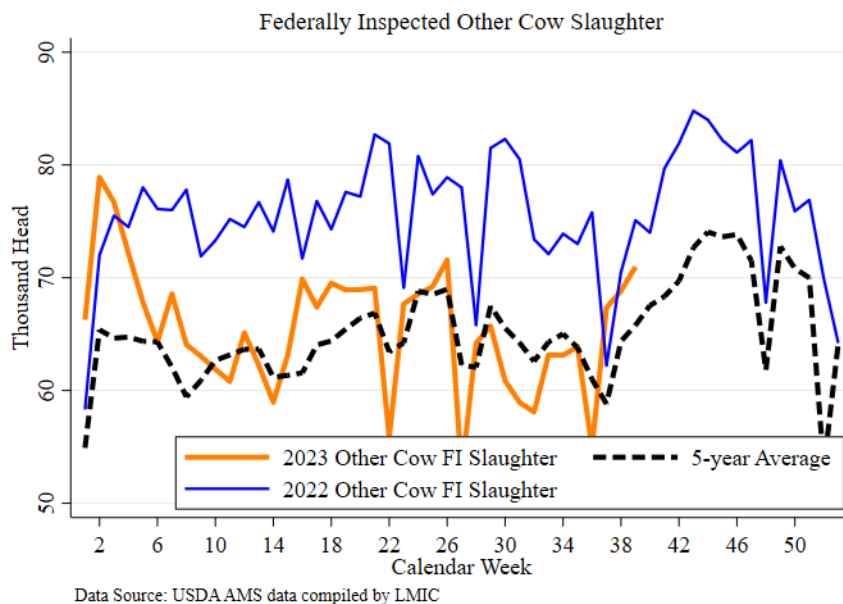
- US Beef Cow Herd
- Supply and Capacity
- Livestock and Meat
 - Exports
 - Domestic
- Political Environment
- Livestock Prices

US Beef Cow Herd: January Inventory



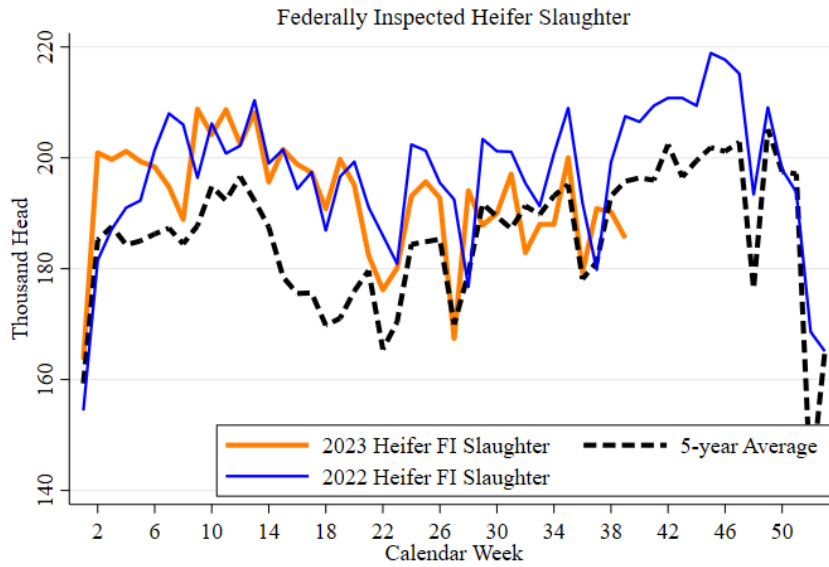
Year	Million Head	% of 2019
2019	31.7	100%
2020	31.3	98.9%
2021	30.8	97.3%
2022	30.0	94.6%
2023	28.9	91.3%

US Beef Cow Herd



Beef cow slaughter down from historic levels of 2022

US Beef Cow Herd



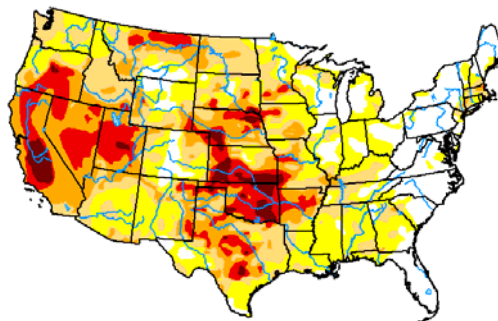
Heifer Slaughter has remained near 2022 levels

Decreasing?

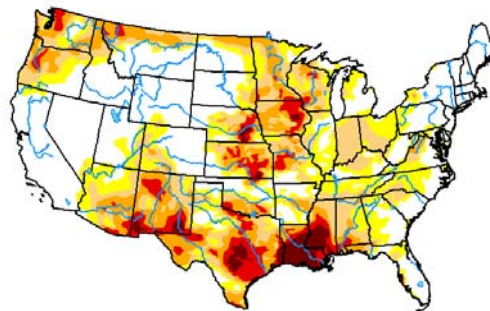
Data Source: USDAAMS data compiled by LMIC

US Beef Cow Herd

U.S. Drought Monitor Contiguous U.S. (CONUS)



October 11, 2022
(Released Thursday, Oct. 13, 2022)
Valid 8 a.m. EDT



October 10, 2023
(Released Thursday, Oct. 12, 2023)
Valid 8 a.m. EDT

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

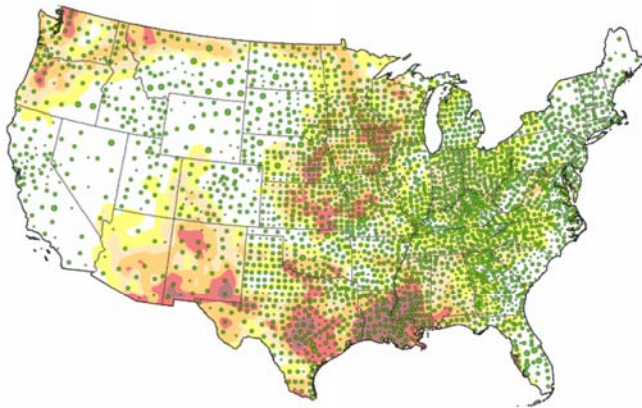
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <http://droughtmonitor.unl.edu/About.aspx>

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droughtmonitor.unl.edu

U.S. Crops and Livestock in Drought: Cattle



Cattle Produced by County

Scales by Inventory

U.S. Drought Monitor



Source(s): USDA NASS, U.S. Drought Monitor
 USDM Updates Weekly: 10/10/23

Drought.gov

US Beef Cow Herd

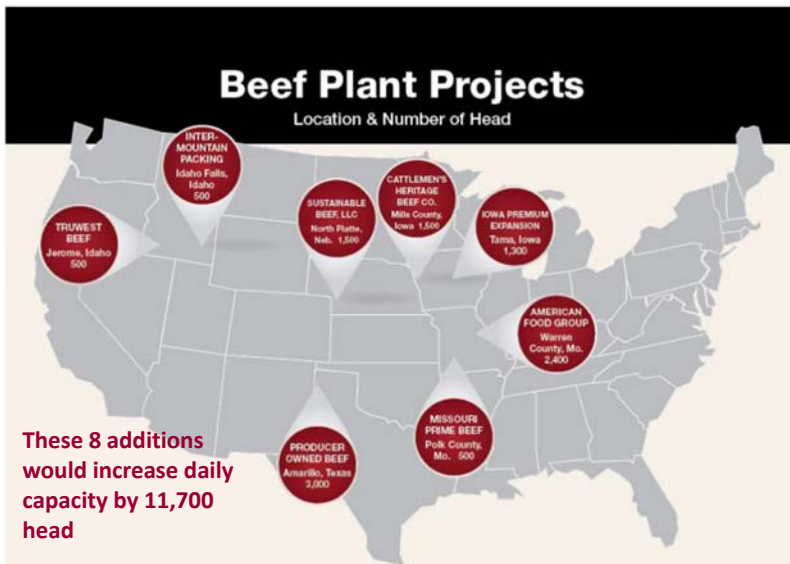
Conflicting Market signals

Weather, hay, and forage conditions still make cow-calf operations a risky venture

Calf prices and cow-calf projected returns are strong

When it makes economic sense to divert very valuable heifers into the beef cow herd, expansion will start

Supply and Capacity



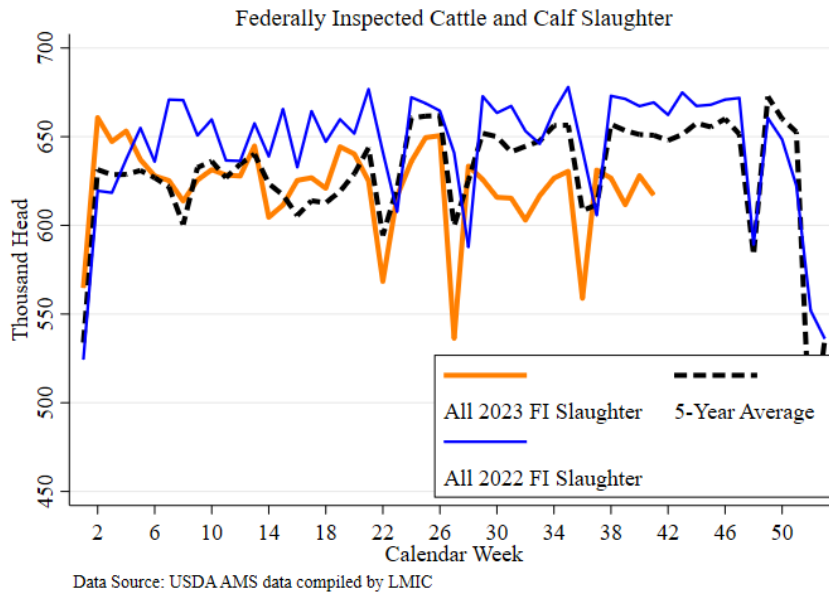
Beef Plant Projects (Farm Journal)

- Since 2015/2016 fed cattle supply has been at or above capacity (Peel, OSU)

- Herd liquidation and added capacity have flipped the situation

- Multiple plant expansions and new builds are planned...outcomes to be determined

Supply and Capacity

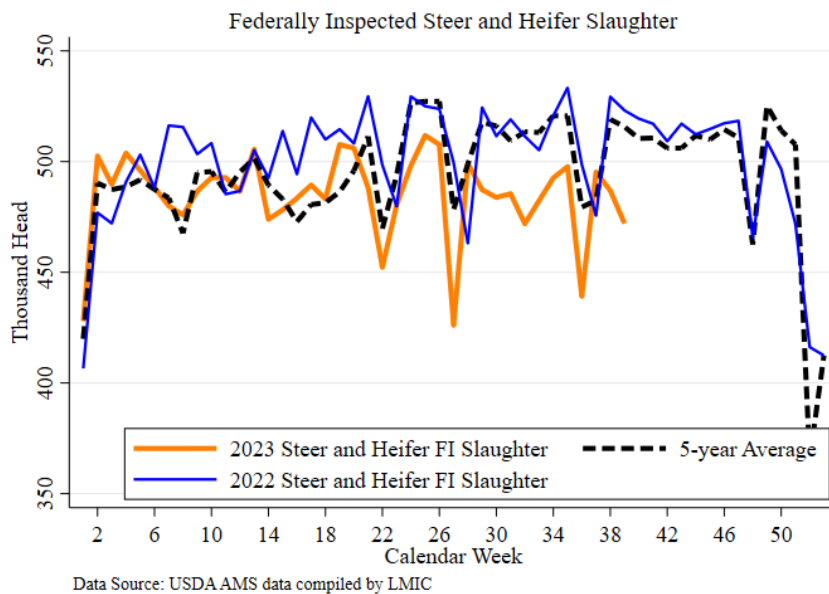


All Federally Inspected Slaughter for second half of 2023 is well below 2022 levels and 5-year average

Current slaughter levels are well below capacity (~50,000 head per week below 2022)

All FI Slaughter includes cows, bulls, calves

Supply and Capacity: Operational Capacity



Fed Steer and Heifer Slaughter is well below 2022 and the 5-year average

Supply and Capacity

- USDA grant program support for small to medium-scale processors
- Continued interest in direct to consumer, local, or niche processing

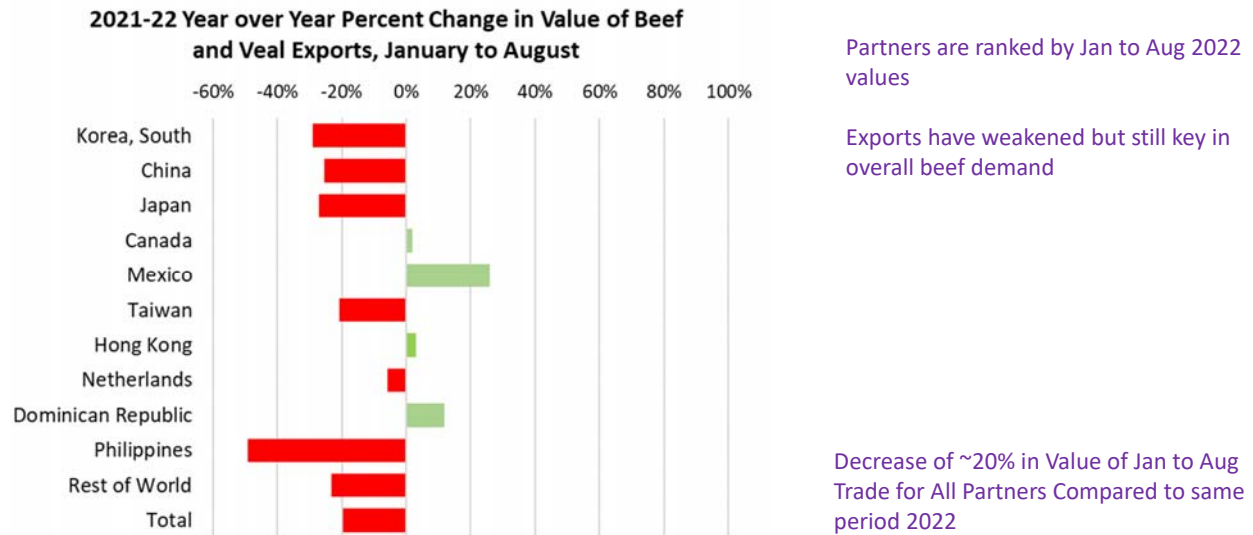
Exports: Value of Beef and Veal Exported (thousands of dollars)

Trading Partner	2018	2019	2020	2021	2022	Jan - Aug 2023
Korea, South	\$1,673,118	\$1,772,950	\$1,653,664	\$2,316,691	\$2,663,911	\$1,359,645
China	\$60,333	\$85,331	\$299,594	\$1,550,404	\$2,018,878	\$1,056,704
Japan	\$1,753,891	\$1,563,703	\$1,572,352	\$1,855,956	\$1,798,513	\$949,966
Canada	\$726,728	\$638,203	\$708,605	\$756,130	\$811,772	\$571,596
Taiwan	\$551,301	\$568,356	\$551,276	\$661,140	\$746,923	\$442,793
Mexico	\$828,755	\$829,715	\$624,881	\$793,744	\$701,032	\$570,162
Hong Kong	\$882,537	\$688,571	\$608,519	\$447,932	\$340,616	\$227,304
Netherlands	\$124,988	\$120,368	\$120,130	\$124,236	\$184,678	\$125,391
Philippines	\$74,698	\$76,235	\$56,568	\$66,558	\$144,409	\$51,521
Indonesia	\$48,659	\$59,484	\$54,704	\$88,126	\$103,397	\$43,239
Rest of World	\$736,873	\$717,606	\$512,776	\$770,608	\$948,323	\$548,051
Total	\$7,461,881	\$7,120,522	\$6,763,069	\$9,431,525	\$10,462,452	\$5,946,372

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

- 2022 was a record for value of exports
- Exports to China are decreasing but still promising

Exports: Value of Beef and Veal Exported



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
March	15.34	-12.47
April	-12.51	-14.02
May	14.38	2.49
June	1.17	-1.55
July	-3.87	4.20

Prices for Food at Home

- Inflationary pressure is still substantial but easing

Food Group	Change in CPI 2022	Change in CPI 2023 (ERS Forecast)
All Food	9.9%	5.4% to 6.2%
Food at Home	11.4%	4.6% to 5.8%
Beef and veal	5.3%	1.8% to 5.7%
Pork	8.7%	-2.7% to 0.4%
Poultry	14.6%	2.4% to 4.2%

- Beef prices will likely increase more than some other proteins in the next two years (USDA ERS)

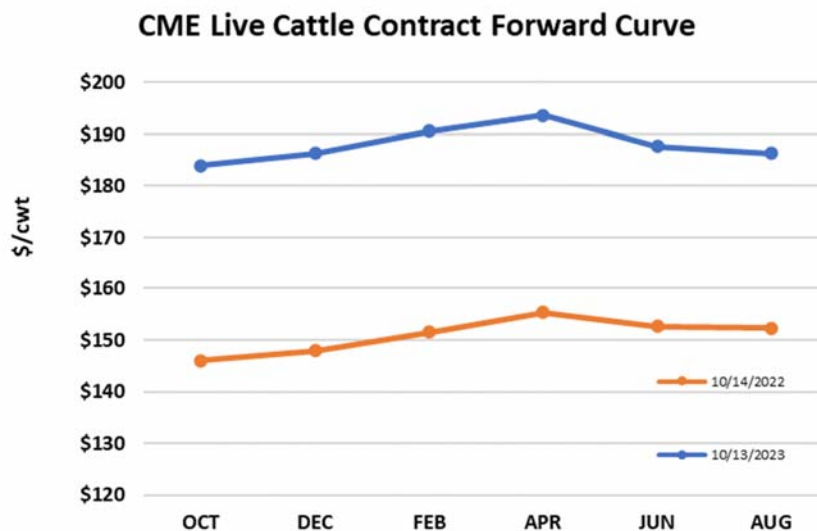
Food Away from Home

- In 2022 Food Away From Home inflation was 7.7%, compared to 11.4% for Food At Home
- 2023 Food Away From Home inflation is forecast to be higher than inflation for Food At Home
- Quick service restaurants are seeing some increases at the expense of sit-down restaurants
- Open Table
 - Monthly reservations and volume of diners seated are slightly less than (-2% to -8%) 2022 levels in the US
- Likely a tough upcoming year for steakhouses and full-service restaurants that saw some gains in 2022

Political

- Current political environment is not necessarily friendly to larger meat packers
 - General concern over “competition”
 - Efforts and rhetoric seem to have cooled relative a year ago
- Legislative efforts aiming to regulate marketing of live cattle seem to have slowed
- Cattle Contracts Library Pilot Program has been online since January
 - No strong reactions
 - Pilot phase extended to December

Livestock Prices



Price levels are elevated

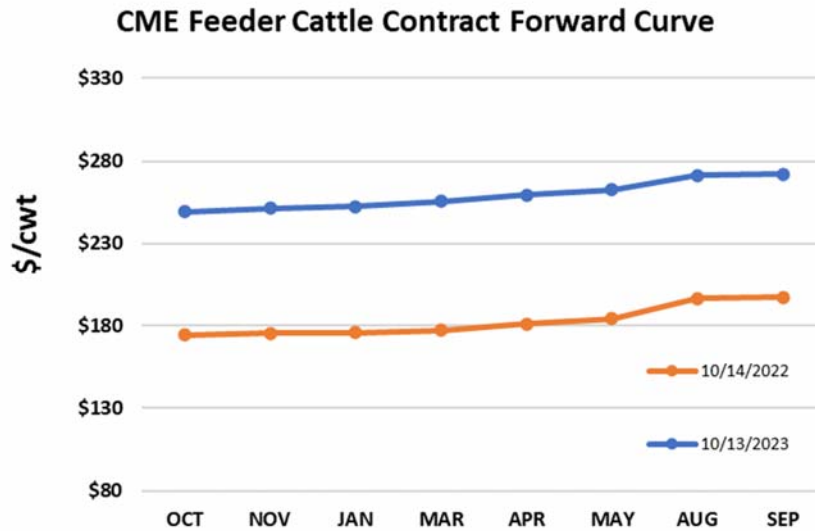
USDA ERS September 2023 projection for 5-area steer prices:

Q4 2023	\$190/cwt
Q1 2024	\$188/cwt
Q2 2024	\$186/cwt

September forecasts are unchanged from July report

Based on weekly averages of futures settlement prices as reported by LMIC
Updated 10/1/23

Livestock Prices



Based on weekly averages of futures settlement prices as reported by LMIC
Updated 10/13/23

Elevated prices

USDA ERS September 2023 projection OK City Med Frame 1 feeder steer prices:

Q4 2023	\$259/cwt
Q1 2024	\$249/cwt
Q2 2024	\$248/cwt

Prices up from July report

Concluding Thoughts

- Beef cow herd liquidation seems to be ongoing...some analysts predict 2024 will put in the bottom
- Market optimism in cattle prices for the next few quarters
- Projected cow-calf returns are very strong
- Feeding margins not as strong due to higher feeder cattle prices and input costs
- Labor issues all along the cattle and beef supply chain remain
- Export demand for US meat face challenges but continues to support prices
- Expect higher meat prices at retail and restaurants to persist
- Consumer demand for beef (and other proteins) remains strong

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