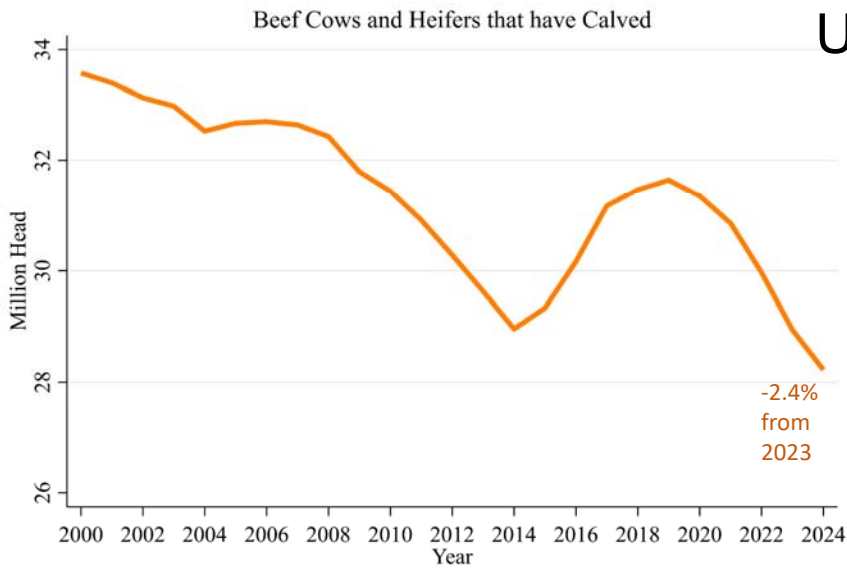


Current Livestock and Meat Issues

Brian Coffey
Crop Insurance Workshop
October 24, 2024



Agricultural Economics



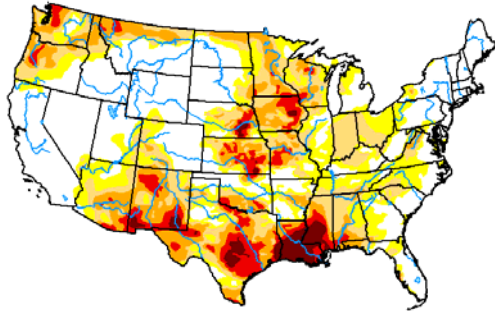
US Beef Cow Herd

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%
2024	28.2	89.2%

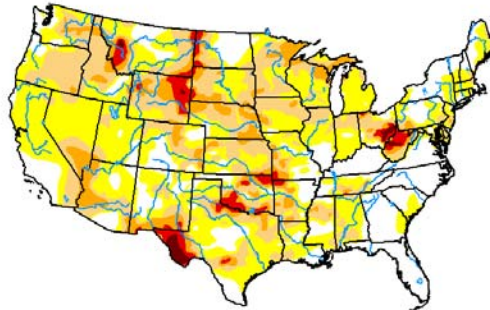
Data Source: USDA NASS January inventory data compiled by LMIC

US Drought Conditions

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



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



October 8, 2024
(Released Thursday, Oct. 10, 2024)
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>

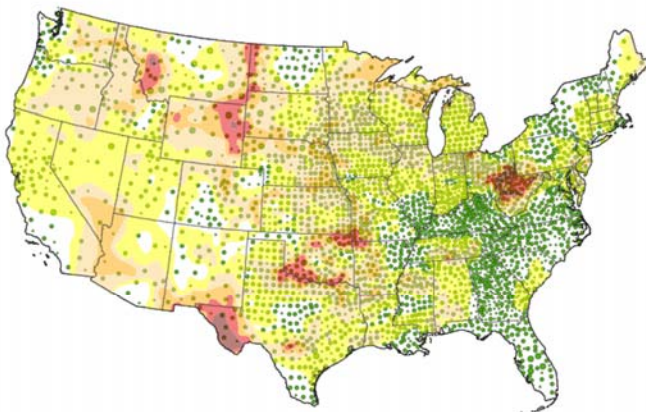
Author:

Brad Pugh
CPC/NOAA



droughtmonitor.unl.edu

Cattle in Drought



Beef Cattle Produced by County

Scales by Inventory

U.S. Drought Monitor

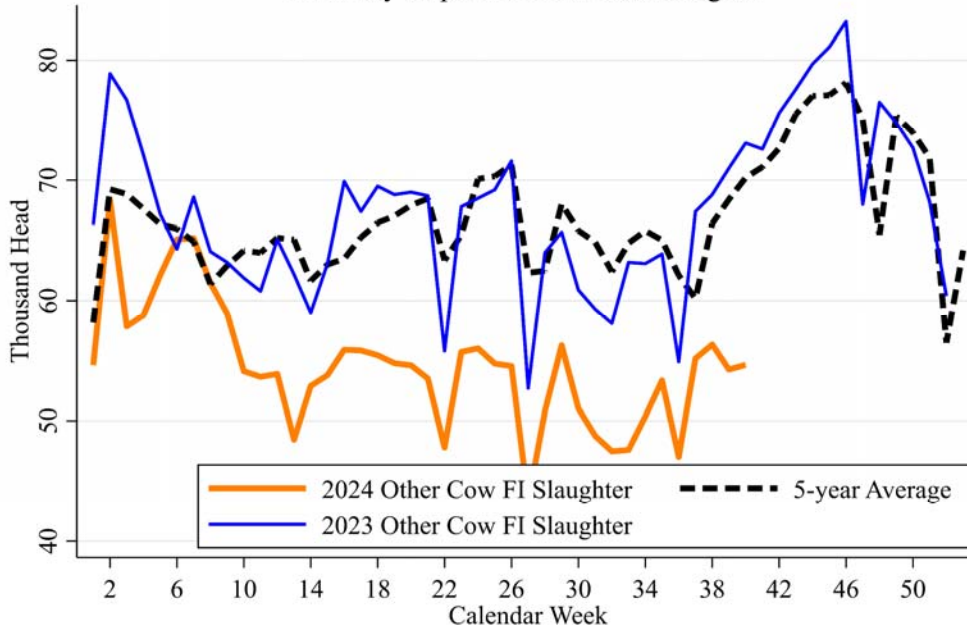


Source(s): USDA NASS, U.S. Drought Monitor
USDM Updates Weekly: 10/08/24

Drought.gov

Cattle in Drought Conditions

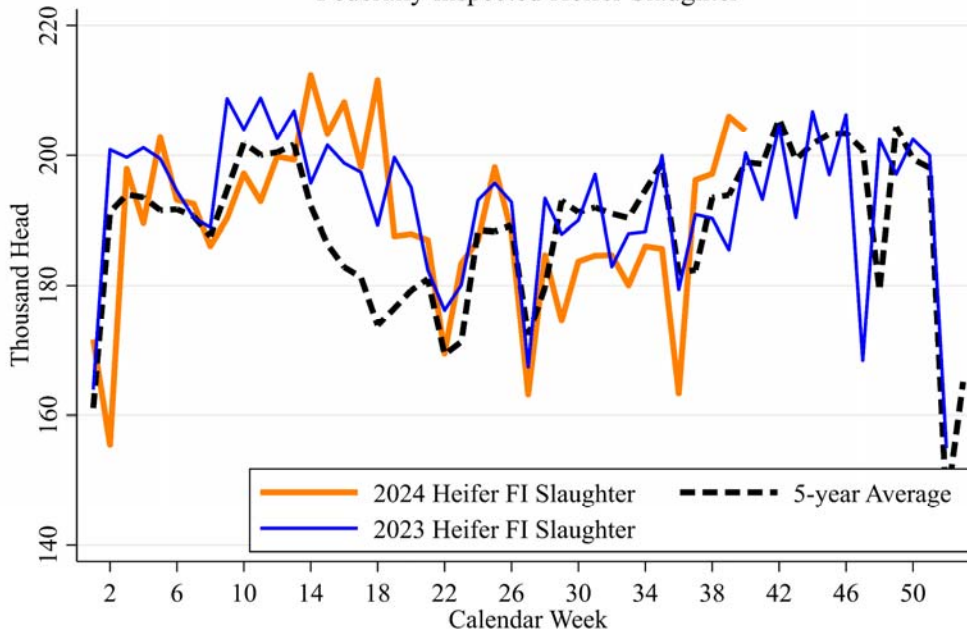
Federally Inspected Other Cow Slaughter



Beef cow slaughter substantially below the levels of the last couple of years

Data Source: USDA AMS data compiled by LMIC

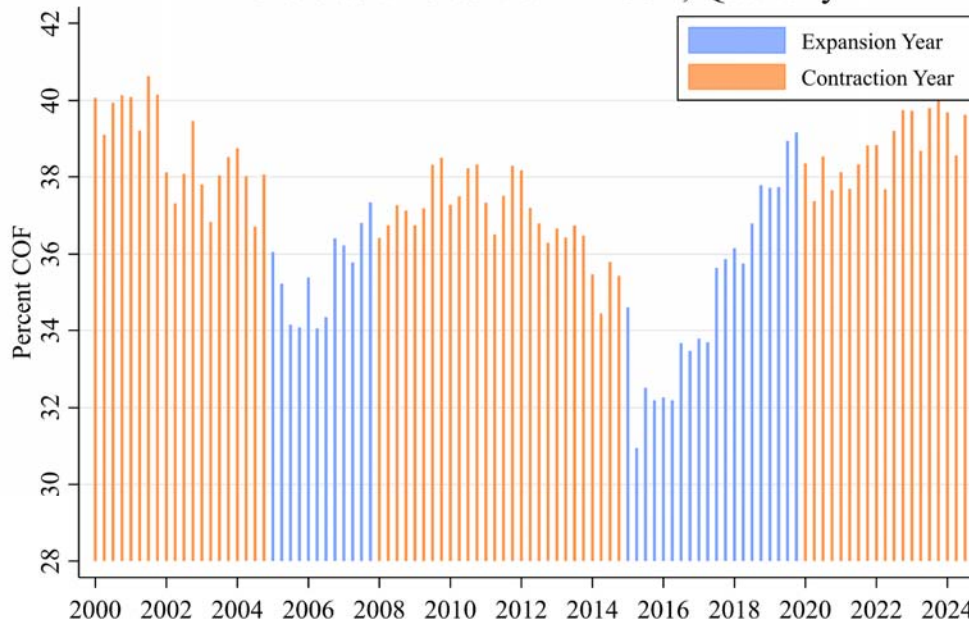
Federally Inspected Heifer Slaughter



Heifer Slaughter slightly above 2023 levels

Data Source: USDA AMS data compiled by LMIC

Heifers as a Percent of All COF, Quarterly



Heifers as a percent of cattle on feed tends to be a leading indicator of herd expansion and contraction

Little, if any, indication of a downward trend

Data Source: NASS Cattle on Feed Report, as archived by LMIC

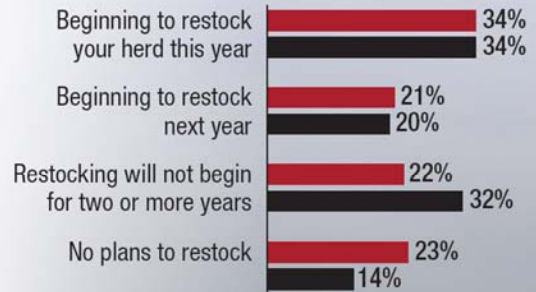
Regarding the widespread drought experienced over the past few years, which of the following actions have you taken?

Answered by those who said they have experienced drought. Multiple answers allowed.



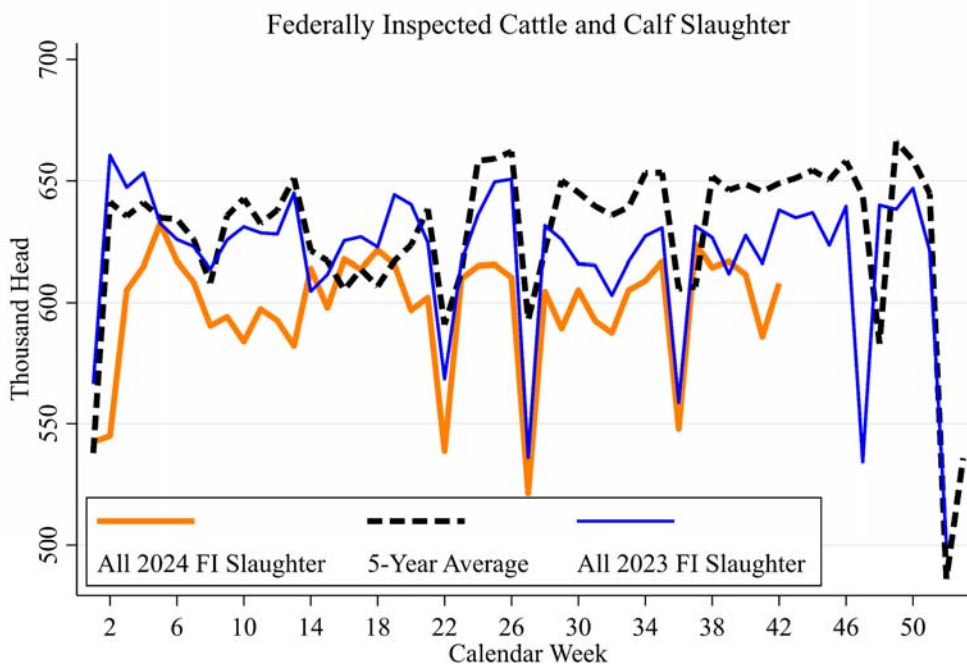
Which of the following actions do you anticipate taking?

Answered by those who reduced their breeding herd to mitigate the impact of drought.



US Beef Cow Herd

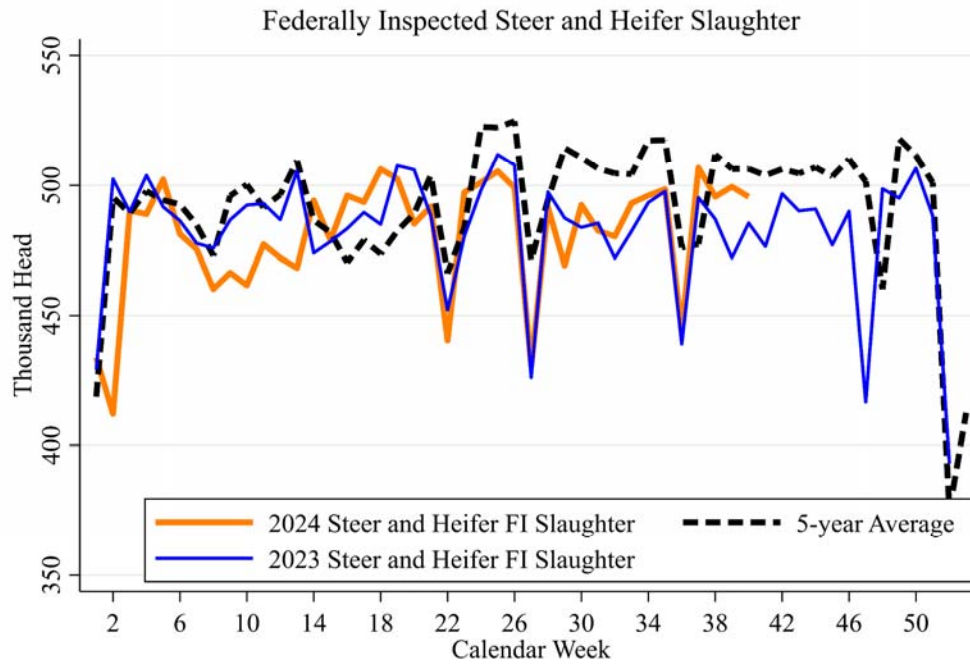
- Weather, hay, and forage conditions are more favorable than the previous 2-3 years
- Slaughter weights are increasingly used to dampen cycle highs and lows
- Growing prevalence of Beef x Dairy likely a factor
 - According to CattleFax 9% to 10% of 2023 fed slaughter was beef x dairy and that is expected to be 15% by 2026
- Uncertainty and risk likely inhibit expansion for some producers



Data Source: USDA AMS data compiled by LMIC

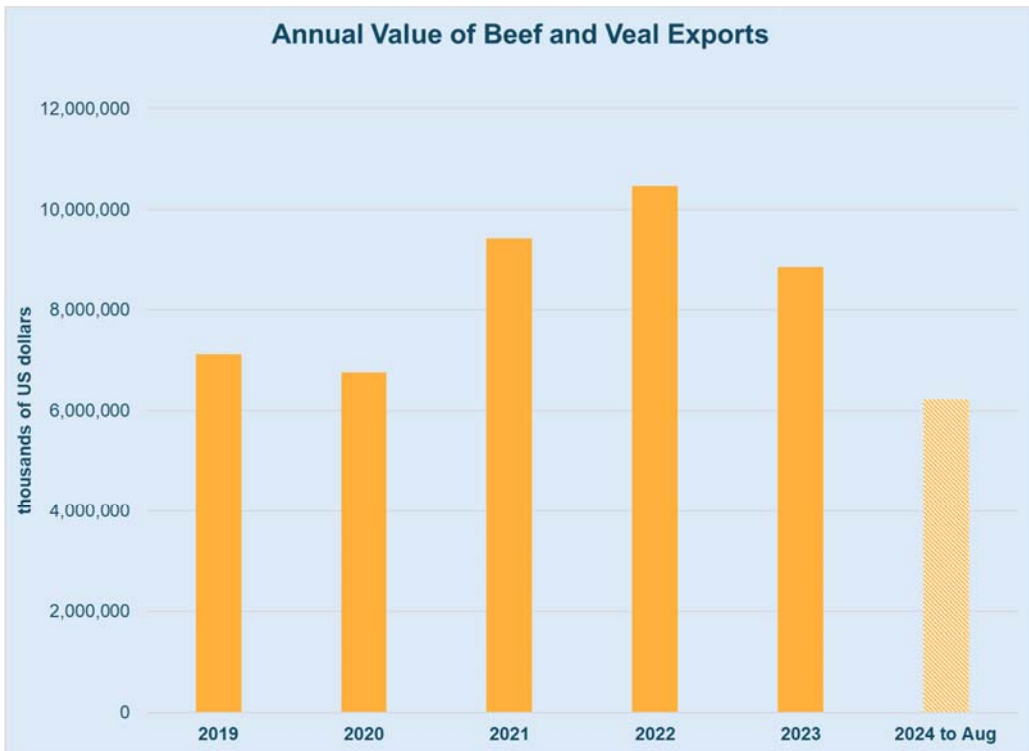
All Federally Inspected Slaughter is well below 2022 levels and 5-year average

All FI Slaughter includes cows, bulls, calves

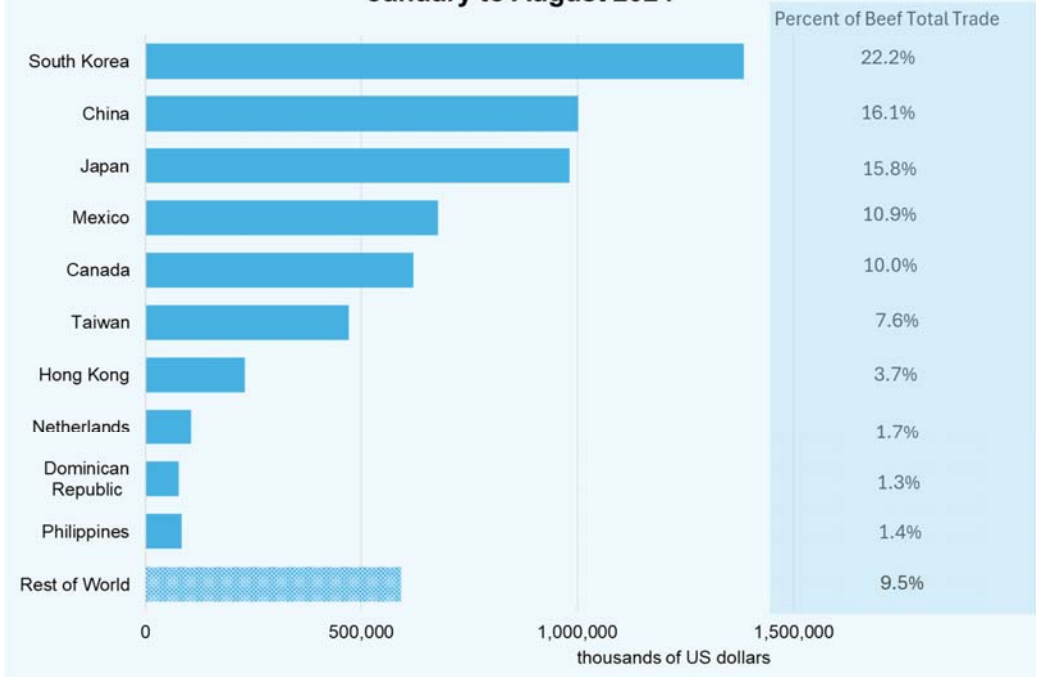


Fed Steer and Heifer Slaughter is above 2023 levels

Data Source: USDA AMS data compiled by LMIC

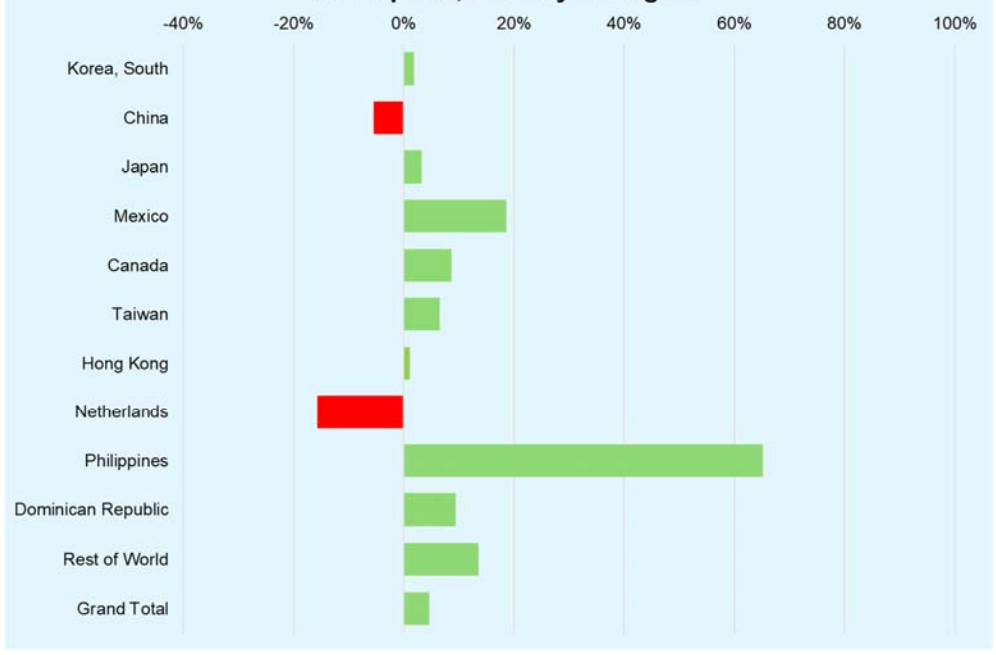


Value of Beef and Veal Exports to Top 10 Trading Partners January to August 2024



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

2023-24 Year over Year Percent Change in Value of Beef and Veal Exports, January to August



Total beef export value is 4% over last year at this time

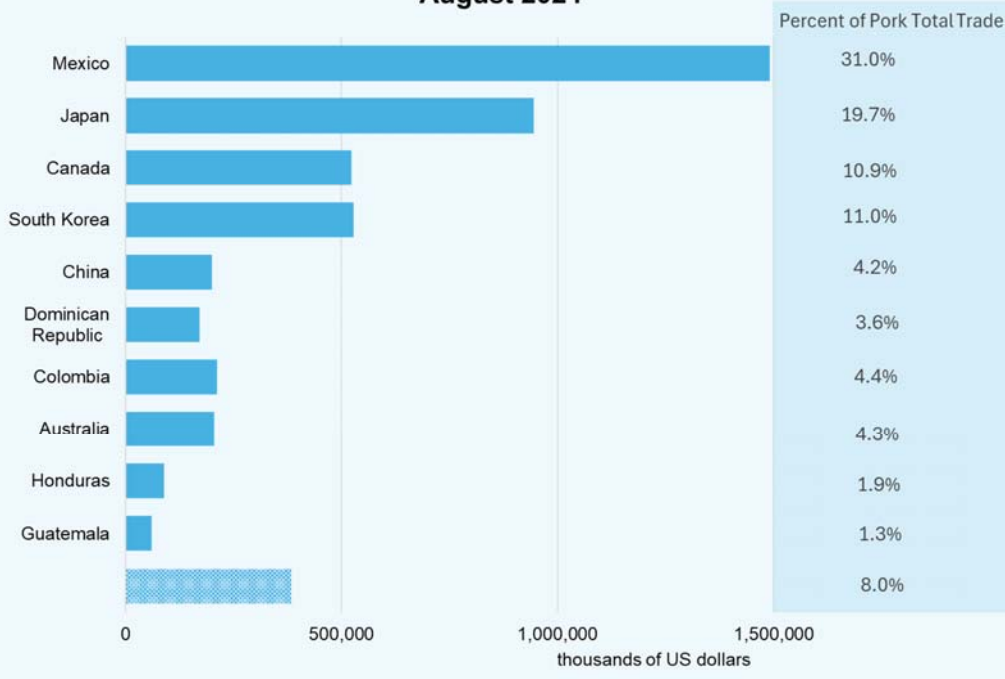
Total quantity exported is about 4% lower

Biggest proportional gains with Mexico and Philippines

Biggest absolute gain with Mexico

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

Value of Pork Exports to Top 10 Trading Partners January to August 2024



Data Source: USDA Foreign Ag Service GATS; no processed pork

2023-24 Year over Year Percent Change in Value of Pork Exports, January to August



Total pork export value is 9% over last year at this time

Total quantity exported is about 5% higher

Biggest proportional gains with Colombia and Australia

Biggest absolute gain with Mexico

Data Source: USDA Foreign Ag Service GATS; no processed pork

Prices for Food at Home

- Inflationary pressure is still substantial but easing

Food Group	Change in CPI 2023	Change in CPI 2024 (ERS Forecast)
All Food	5.8%	1.8% to 2.6%
Food at Home	7.1%	0.5% to 1.6%
Beef and veal	2.1%	1.4% to 4.2%
Pork	-1.2%	-0.3% to 2.9%
Poultry	3.1%	0.3% to 2.1%

- 2025 inflation forecasts very similar to 2024 (USDA ERS)

Food Away from Home

- In 2023 Food Away From Home inflation was 7.1%, compared to 5.0% for Food At Home
- 2024 Power of Meat: 43% of consumers are “cutting back on restaurant meals”
- Open Table: Monthly reservations and volume of diners seated are slightly greater than 2023 levels in the US
- Food Away from Home spending in 2023 (USDA ERS)
 - Limited-Service 34.7%
 - Full-service 34.1%
 - Other 31.2%

Food Away from Home

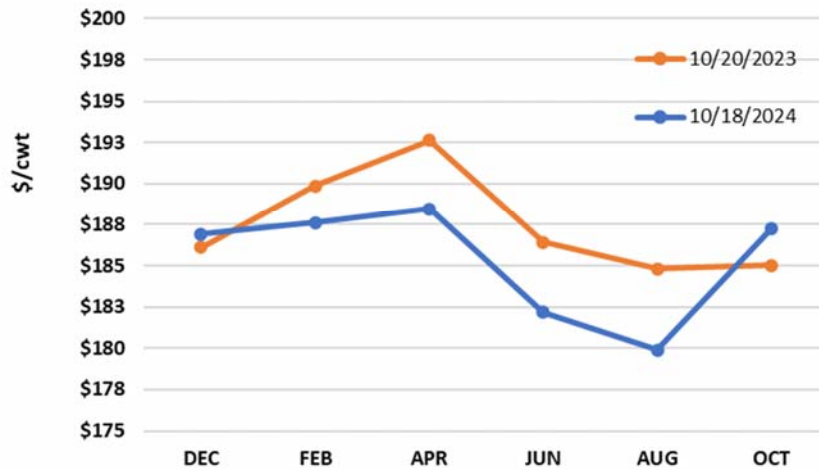
- Food Away from Home spending in 2023 (USDA ERS)
 - Limited-Service 34.7%
 - Full-service 34.1%
 - Other 31.2%
- Placer.ai
 - Full-service visits down 3.9% in Sept vs. 2023
 - Texas Roadhouse and Longhorn outperforming the full-service category

Political Environment

- Political environment of the last few years has not necessarily friendly to larger meat packers
 - General concern over “competition”
 - Efforts and rhetoric seem to have cooled recently
- USDA Ag Marketing Service published an advance notice of proposed rulemaking
 - Price Discovery and Competition in Markets for Fed Cattle
 - Various proposed rules to regulate alternative marketing agreements
 - Public comments being collected

Livestock Prices

CME Live Cattle Contract Forward Curve



Based on weekly averages of futures settlement prices as reported by LMIC
Updated 10/18/24

Price levels are elevated

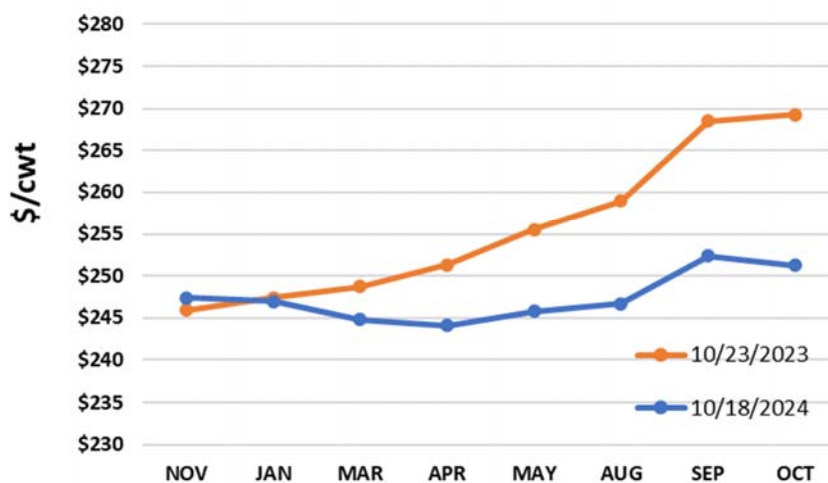
USDA ERS September 2024 projection for 5-area steer prices:

Q4 2024 \$183/cwt
Q1 2025 \$186/cwt
Q2 2025 \$186/cwt

Down from previous report

Livestock Prices

CME Feeder Cattle Contract Forward Curve



Based on weekly averages of futures settlement prices as reported by LMIC
Updated 10/18/24

USDA ERS September 2024 projection OK City Med Frame 1 feeder steer prices:

Q4 2023 \$255/cwt
Q1 2024 \$248/cwt
Q2 2024 \$254/cwt

Concluding Thoughts

- Beef cow herd liquidation seems to be easing but not clear signals for immediate expansion
- Projected cow-calf returns are very strong
- Market optimism in cattle prices for the next few quarters...expect continued higher beef prices as cattle supplies are tight
- Barrow/gilt price forecasts are lower for 2024/25 vs 2023/24...that will translate to lower retail pork prices

Concluding Thoughts

- Export demand for US meat faces challenges but continues to be strong
- Consumer attitudes toward animal proteins is positive
- Consumer demand for beef (and other proteins) remains strong

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