BEEF-CATTLE OUTLOOK

Dec. 15, 2022 – Great Bend, KS

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

Take-Home Summary

1. Supply Dynamics, Switching to Support Higher Cattle Prices
2. Beef Demand (Domestic & Export) Has Been Solid But Is Weakening
3. Think Global & Manage Local
   - **Stay Informed YET focus on what you can influence**

Quarterly Forecasts (LMIC: 11/28/22)

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	8,756	2.7	816.2	-0.3	7,147	2.4
IV	8,258	-3.2	832.3	0.0	6,873	-3.3
Year	34,087	0.7	824.7	-0.1	28,111	0.6
2023						
I	7,882	-6.2	836.8	0.2	6,595	-6.1
II	8,284	-4.4	817.9	0.3	6,775	-4.1
III	8,223	-6.1	820.8	0.6	6,749	-5.6
IV	7,907	-4.3	836.2	0.5	6,612	-3.8
Year	32,295	-5.3	827.7	0.4	26,732	-4.9
2024						
I	7,171	-9.0	841.8	0.6	6,036	-8.5
II	7,547	-8.9	823.8	0.7	6,217	-8.2
III	7,758	-5.6	830.0	1.1	6,439	-4.6
IV	7,403	-6.4	845.4	1.1	6,259	-5.3
Year	29,879	-7.5	835.1	0.9	24,951	-6.7

Data Source: Livestock Marketing Information Center

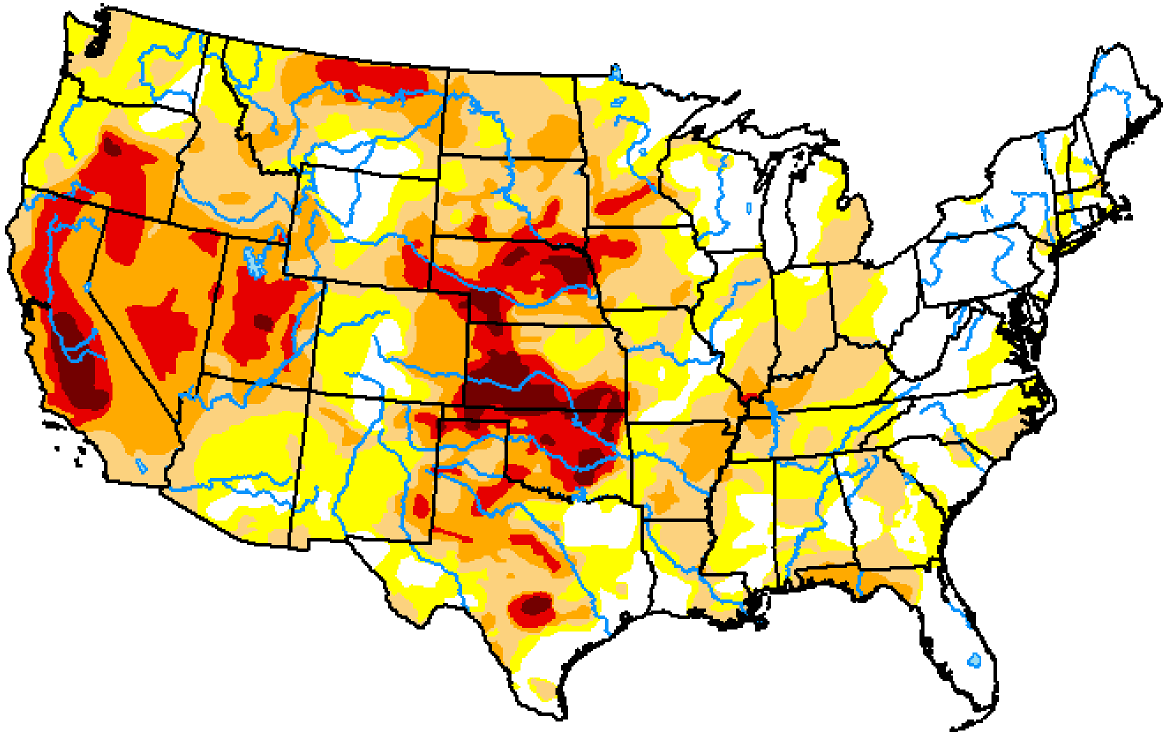
Quarterly Forecasts: Cattle (LMIC: 11/28/22)

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	16.2	178	192
IV	150-151	13.7	177-180	186-188
Year	143-144	17.2	169-171	190-192
2023				
I	147-152	7.4	176-181	191-196
II	152-157	8.9	177-182	198-203
III	148-158	6.7	178-188	205-215
IV	150-160	3.0	181-191	220-230
Year	153-154	7.0	180-182	206-208
2024				
I	160-175	12.0	182-197	225-240
II	165-180	11.7	184-198	220-235
III	163-178	11.4	190-205	230-245
IV	167-182	12.6	187-202	235-250
Year	165-175	10.7	187-197	230-240

Data Source: Livestock Marketing Information Center

U.S. Drought Monitor
CONUS

December 6, 2022
(Released Thursday, Dec. 8, 2022)
Valid 7 a.m. EST



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 https://droughtmonitor.unl.edu/About.aspx

Author:
David Simeral
Western Regional Climate Center

droughtmonitor.unl.edu

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)

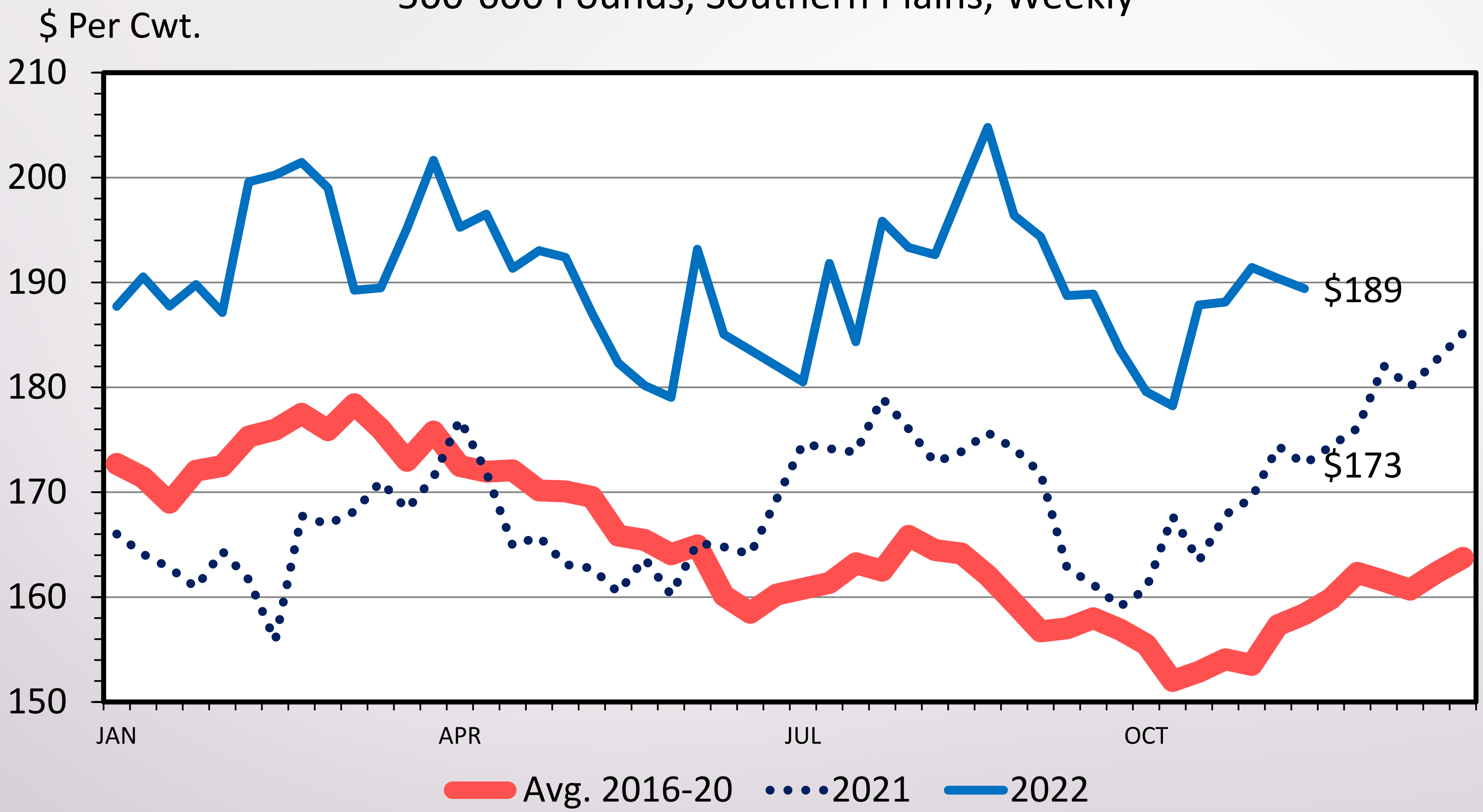
CATTLE CYCLE	AVERAGE	STD DEV	MIN	MAX	RANGE	RELATIVE RANGE*
1949-1958	21,772	3,867	15,919	25,659	9,740	44.7%
1958-1967	29,300	3,898	24,165	34,442	10,277	35.1%
1967-1979	39,505	3,520	34,708	45,711	11,003	27.9%
1979-1990	36,033	2,373	32,487	39,229	6,742	18.7%
1990-2004	33,688	909	32,454	35,318	2,864	8.5%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



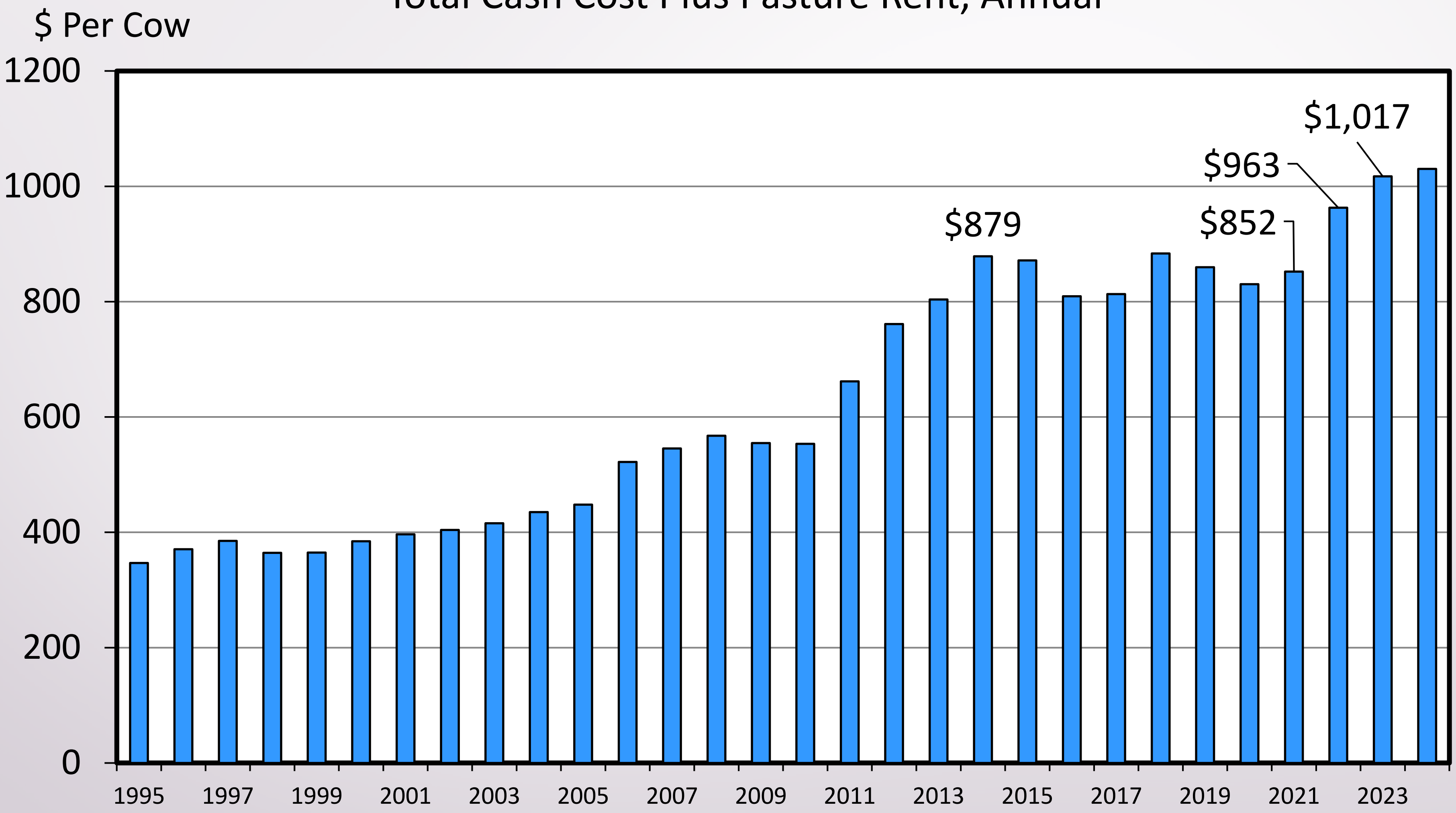
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
11/28/22

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

11/10/22

ESTIMATED AVERAGE COW CALF COSTS

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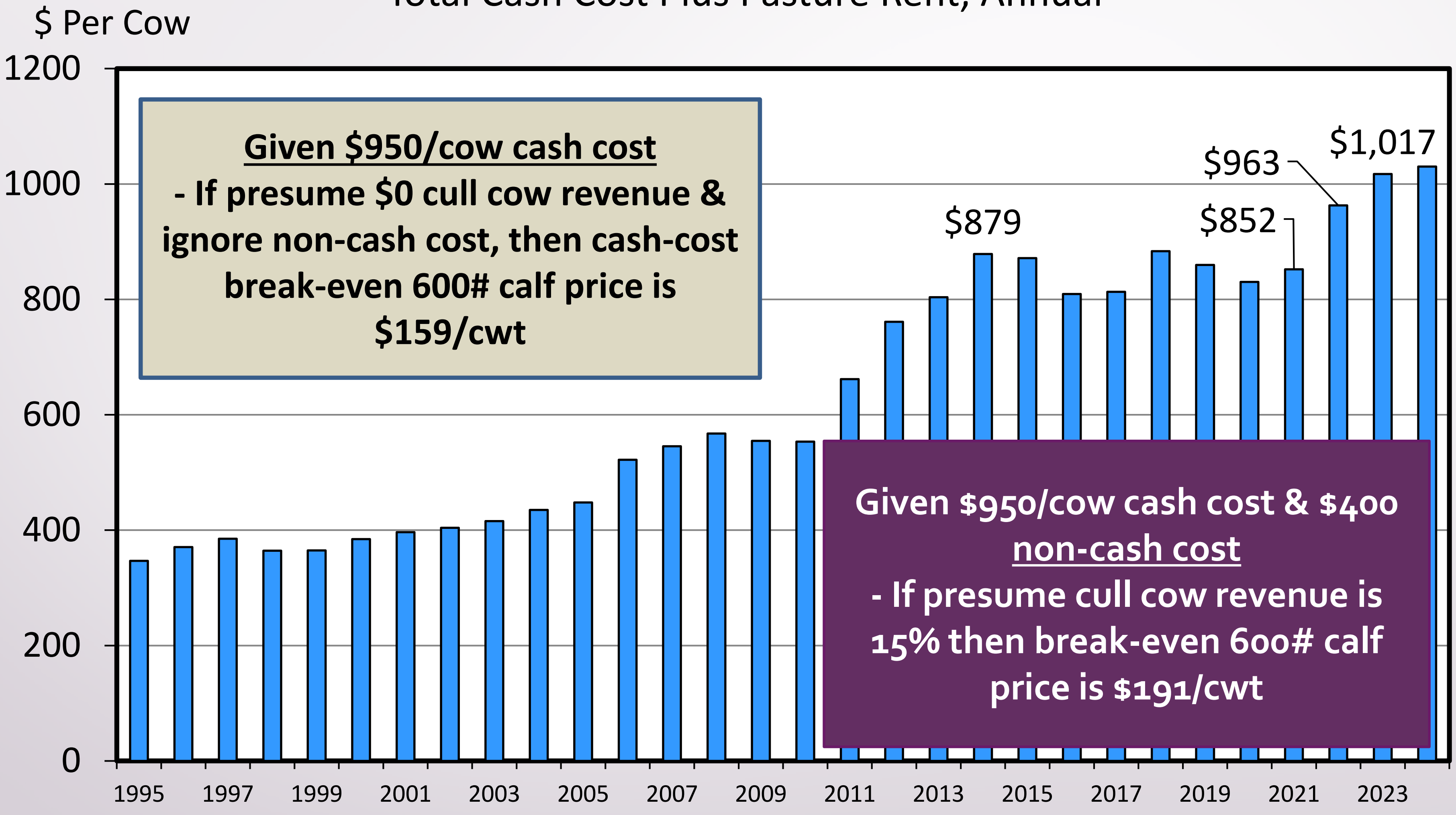
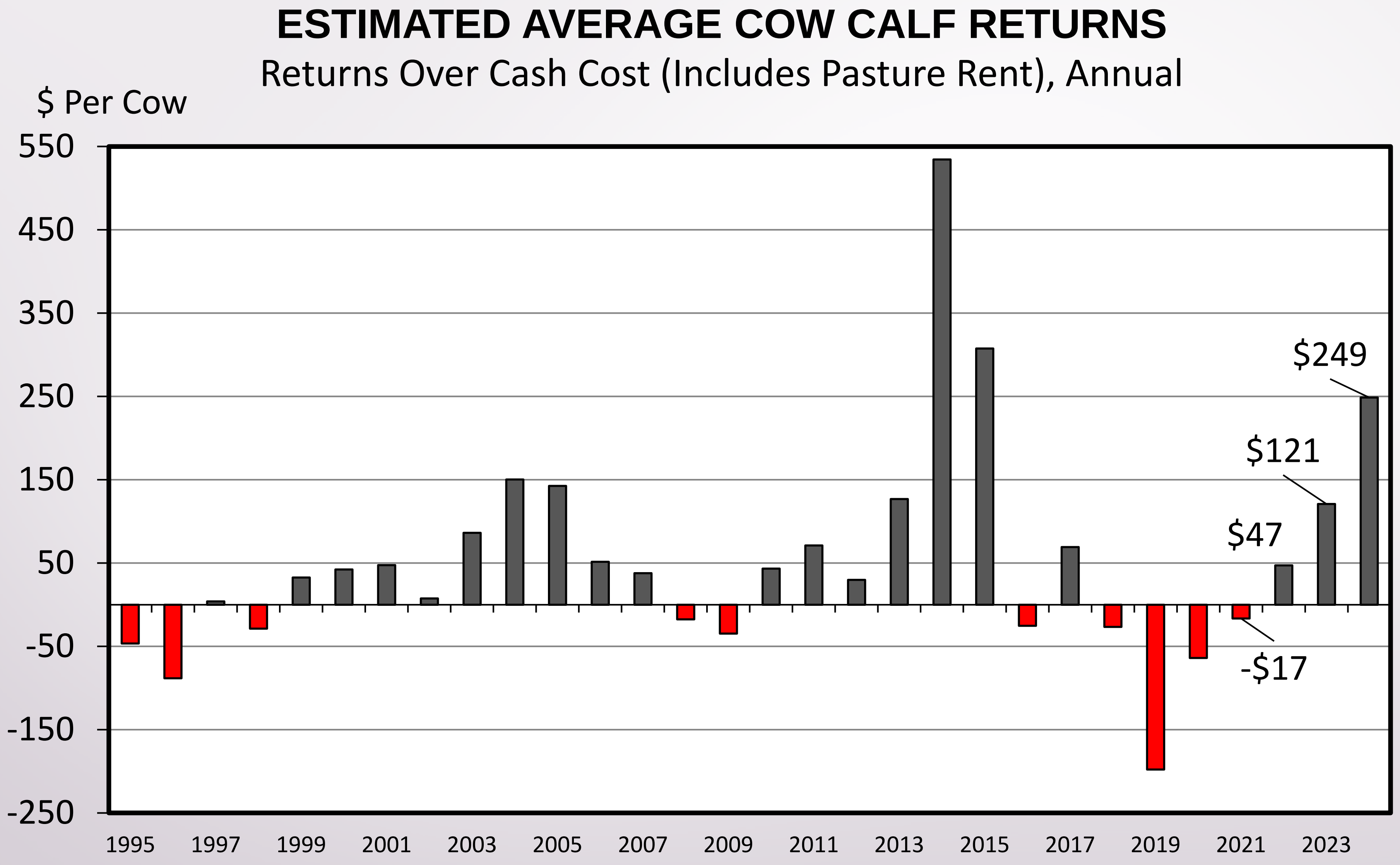


Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

11/10/22

NET Margins Matter!



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
11/10/22

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina FALL CALF Market, as of 12/13

10/12/2023 Sell @ Weaning @ 600 lbs

- ***Expected Cash Price: $225/cwt***

Want Feeder Cattle Price, Basis, & VOG Projections?

Use BeefBasis.com

Salina SUMMER GRASS Market, as of 12/13

4/5/2023 Buy/Retail @ 750 lbs
9/6/2023 Sell @ 950 lbs
DOF=154 & ADG=1.3

- ***Expected Buy Price: $192/cwt***
- ***Expected Sell Price: $186/cwt***
  - ***VOG: $186/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

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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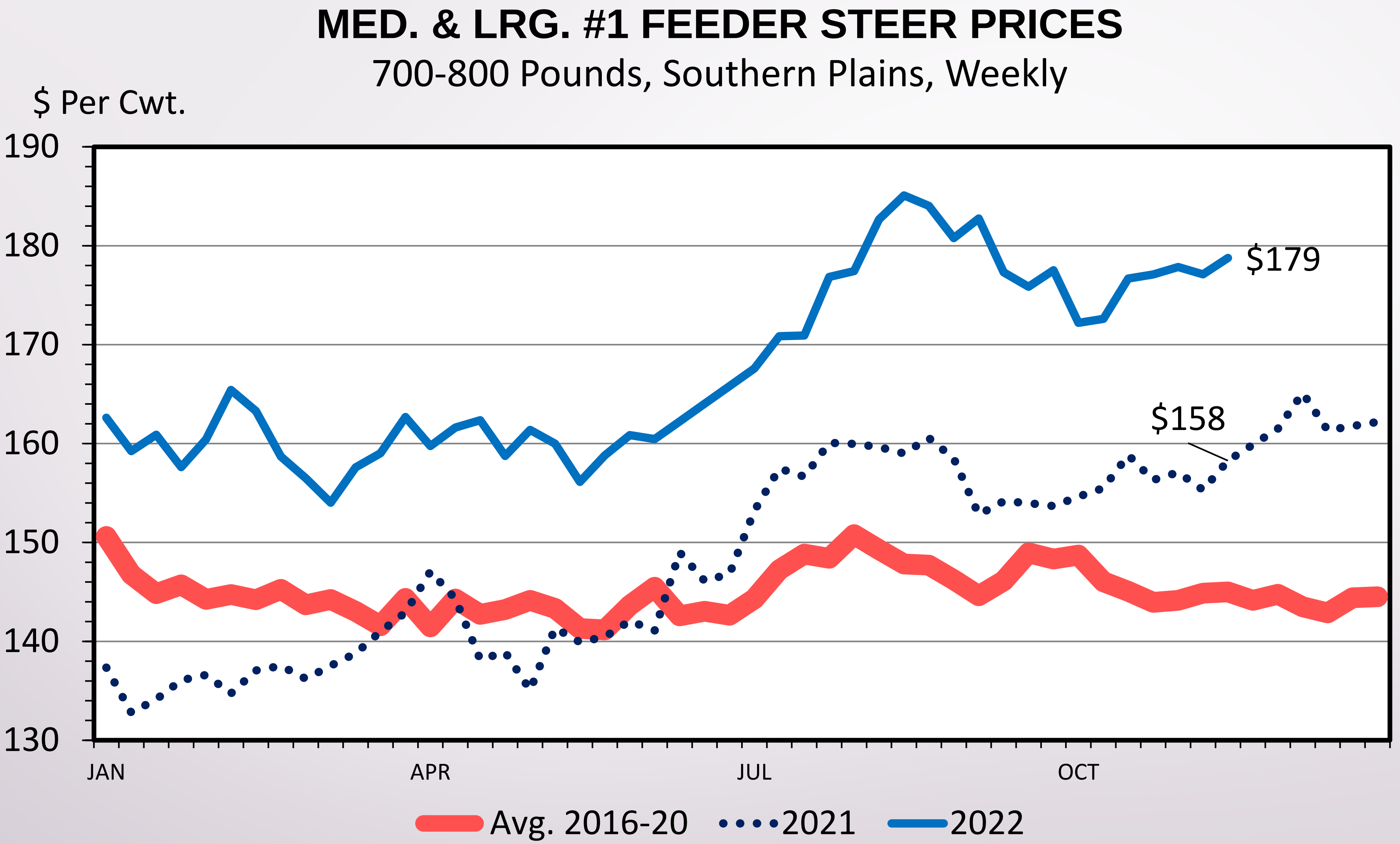
ACKNOWLEDGEMENTS:

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

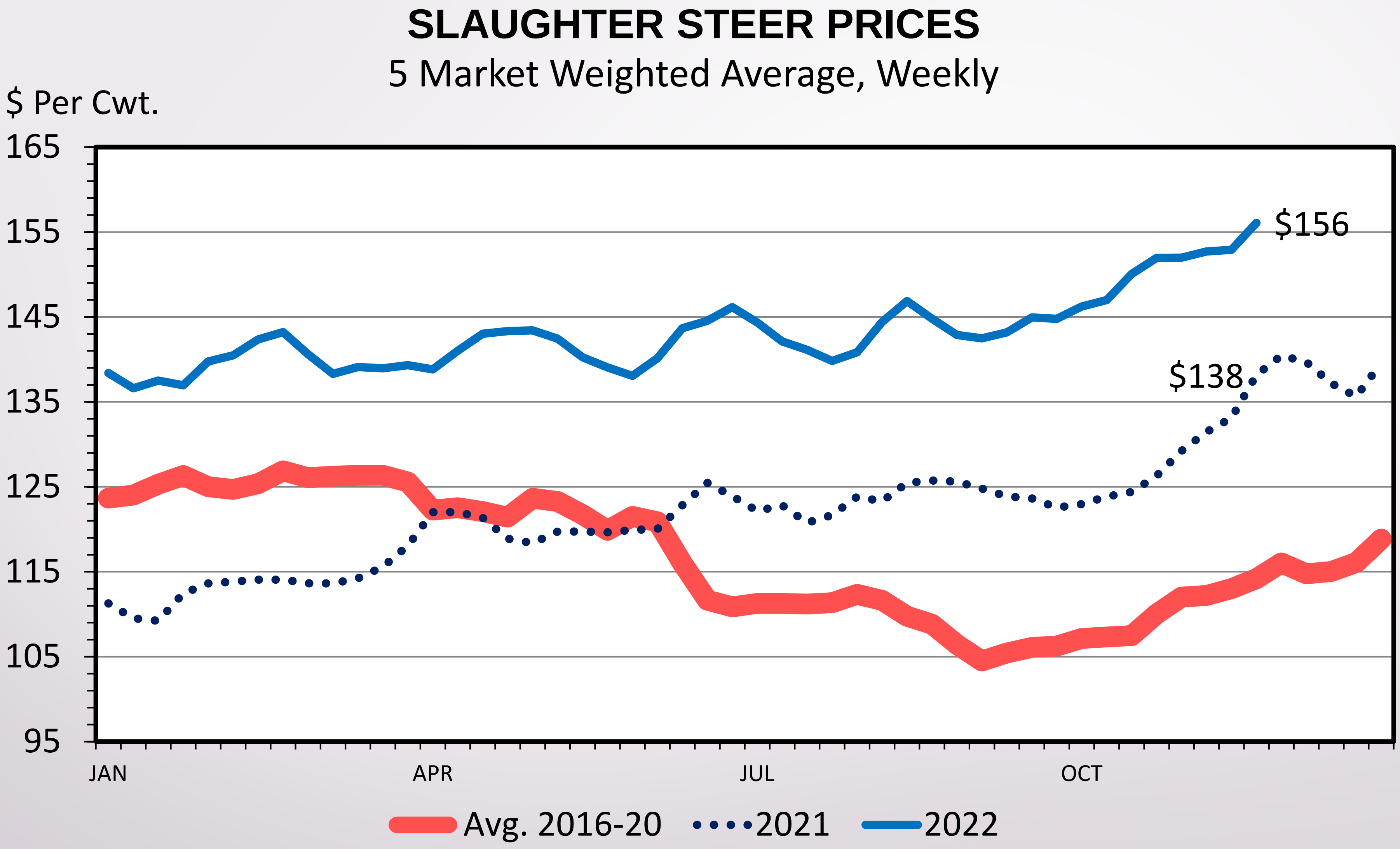
e.g. changes in LRP make that more attractive to some…



C-P-49
11/28/22

Data Source: USDA-AMS

Livestock Marketing Information Center



Data Source: USDA-AMS

Livestock Marketing Information Center

11/28/22

Historical and Projected Kansas Feedlot Net Returns
(as of 12/9/22')

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

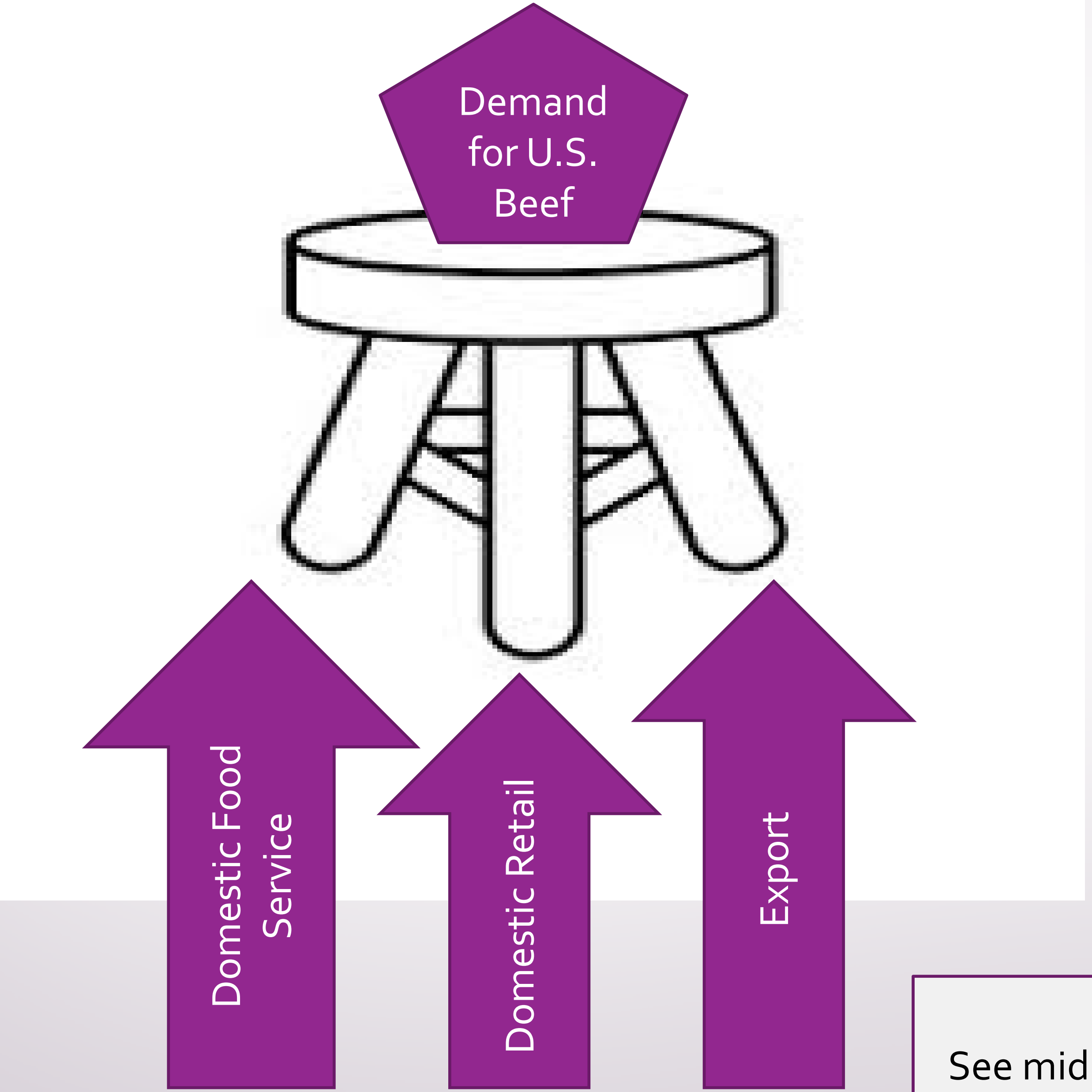
Oct 22': -$42/steer

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

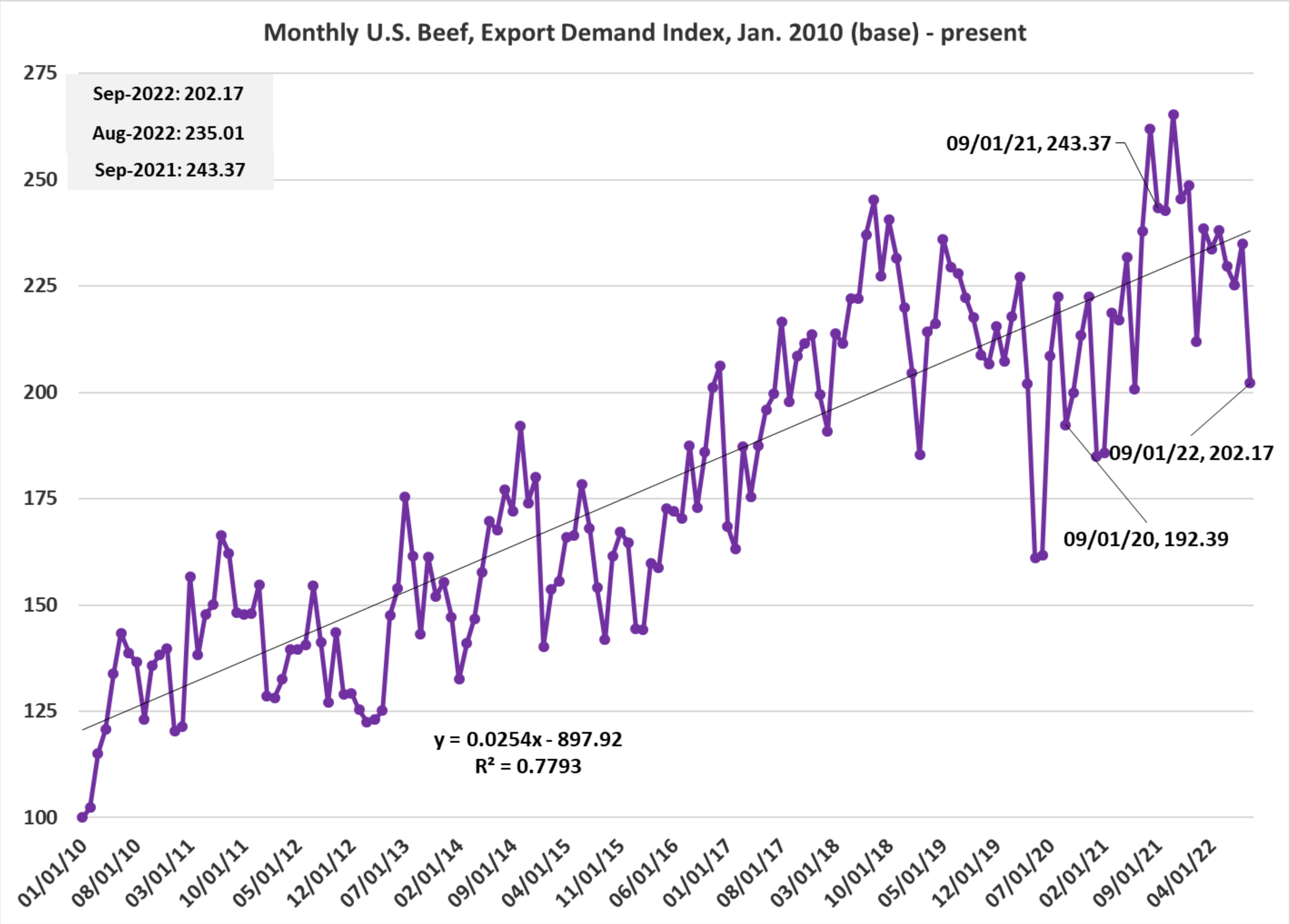
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Nov-22	59.06	136.60	153.31	152.47	0.84	155.21	145.76	149.28	162.40
Dec-22	120.34	138.34	157.33	155.55	1.78	153.66	156.42	149.15	168.60
Jan-23	87.00	137.19	156.88	155.55	1.33	158.06	149.80	150.91	169.39
Feb-23	37.69	132.62	159.74	159.35	0.39	171.94	138.31	157.15	176.70
Mar-23	97.77	130.44	163.50	159.35	4.15	172.94	145.22	156.60	185.90
Apr-23	135.06	124.37	162.52	155.93	6.60	171.36	145.12	152.75	189.82
May-23	245.86	116.76	164.51	155.93	8.59	168.16	153.31	147.19	201.11
Jun-23	123.51	116.86	160.10	156.18	3.92	174.90	135.59	151.36	191.29
Jul-23	8.06	116.87	156.41	156.18	0.23	182.24	118.11	155.84	183.30
Aug-23	71.67	116.23	160.48	160.00	0.48	182.76	126.98	155.49	192.06

Representative Barometer for Trends in Profitability

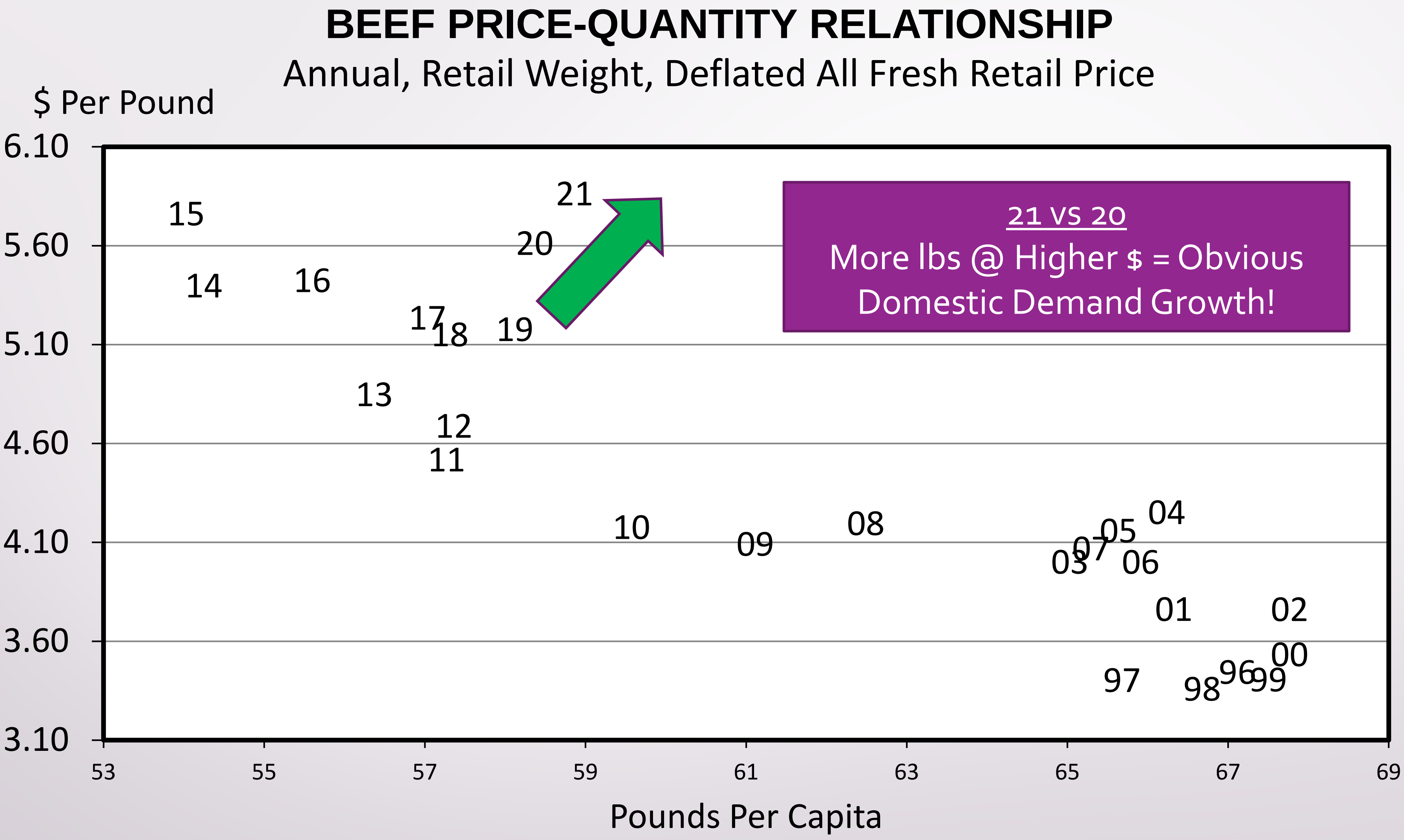
Beef Demand Patterns



See mid-Nov Extended Discussion w/ Matt Perrier on Practically Ranching: https://www.buzzsprout.com/1995747/11686340



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



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

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.

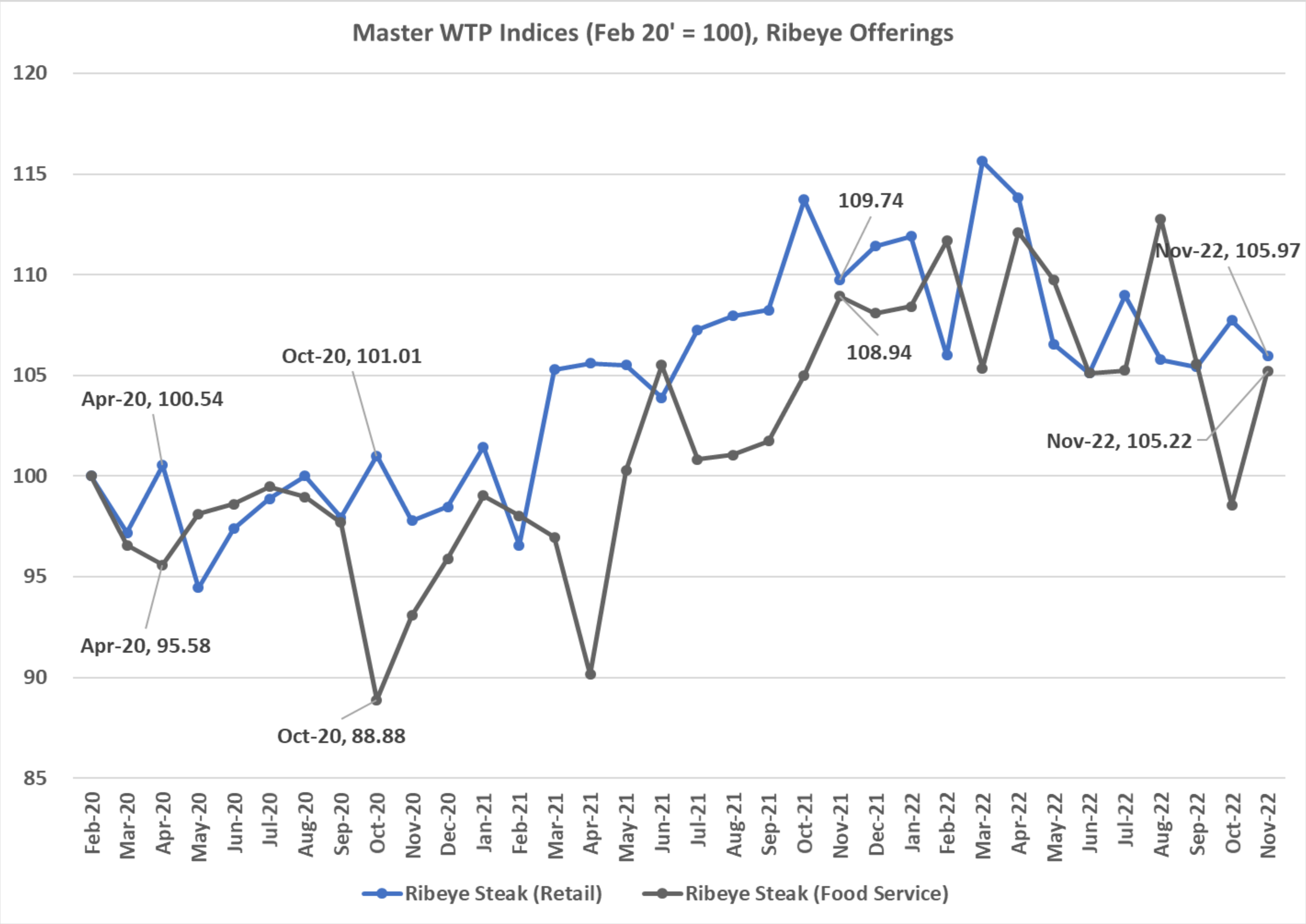
K-STATE Research and Extension

pork checkoff

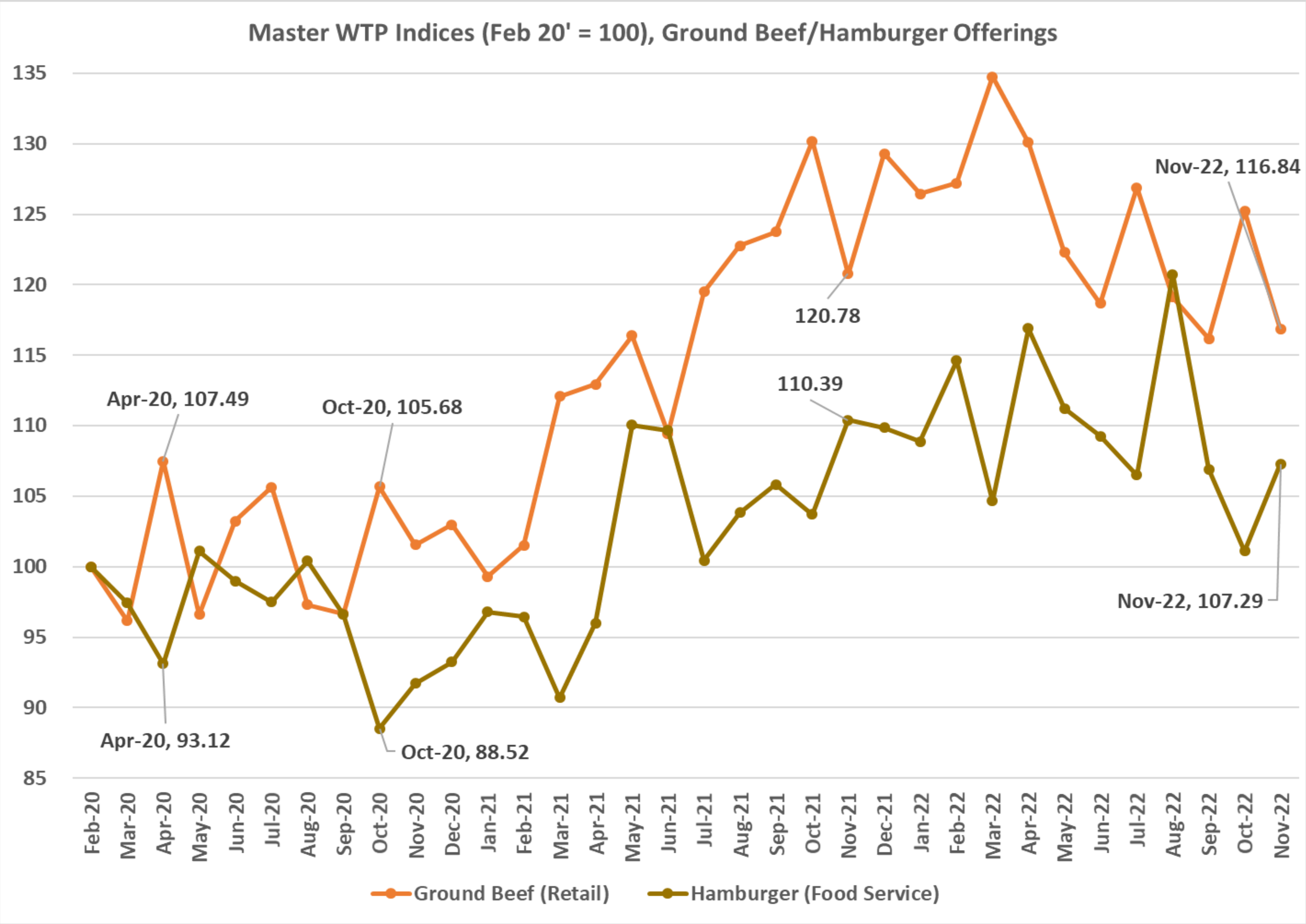
Monthly Meat Demand Monitor

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

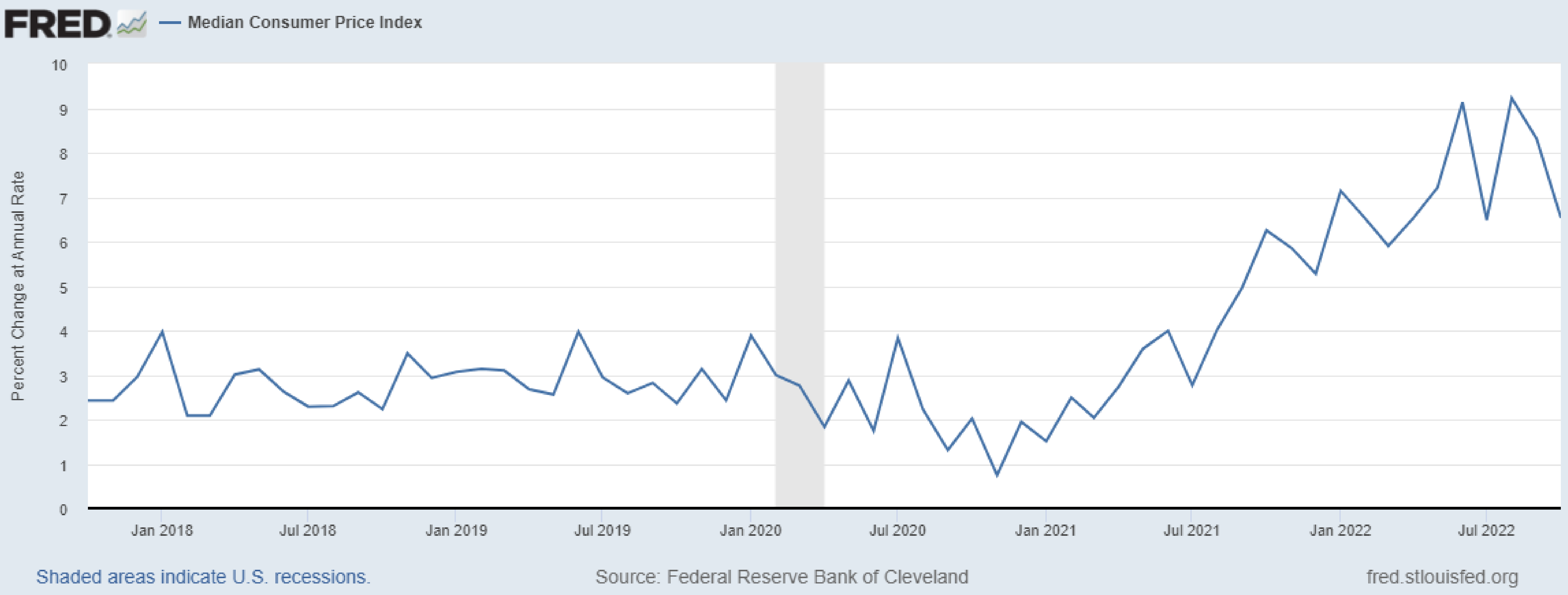
https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data



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


FRED
Median Consumer Price Index
Percent Change at Annual Rate
10
9
8
7
6
5
4
3
2
1
0
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
Q1 2018
Q3 2018
Q1 2019
Q3 2019
Q1 2020
Q3 2020
Q1 2021
Q3 2021
Q1 2022
Q3 2022
Shaded areas indicate U.S. recessions.
Source: U.S. Bureau of Labor Statistics
fred.stlouisfed.org

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

Tonsor & Lusk, Sept 2022 – National Pork Board Report

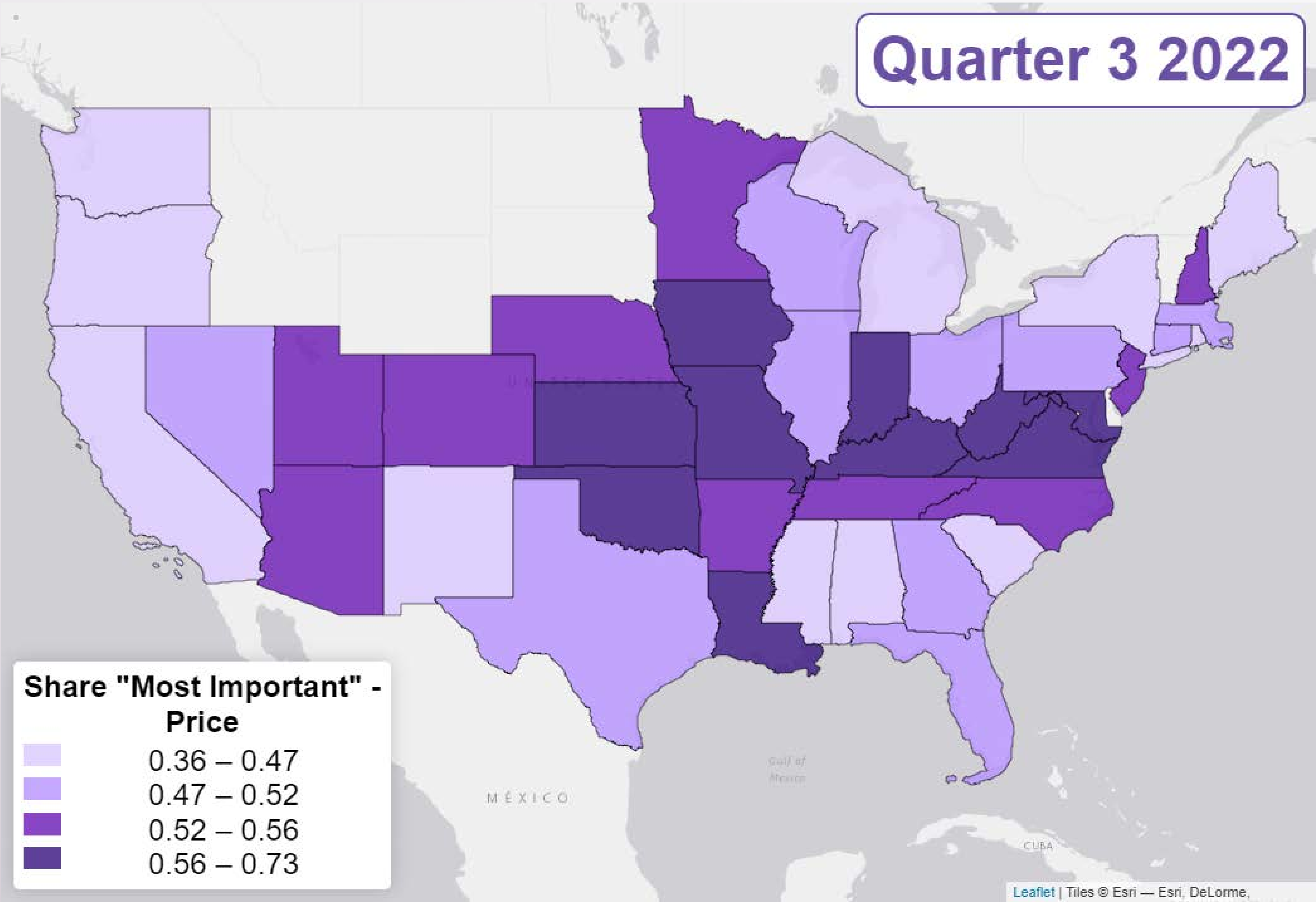
- Real earnings declined since Q2.2020

- Relative importance of Price (#MDM) higher in Q2.2022 than Q2.2021
  - Update: Q3.2022 Price importance highest on record (Feb 2020 MDM start)

- 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%

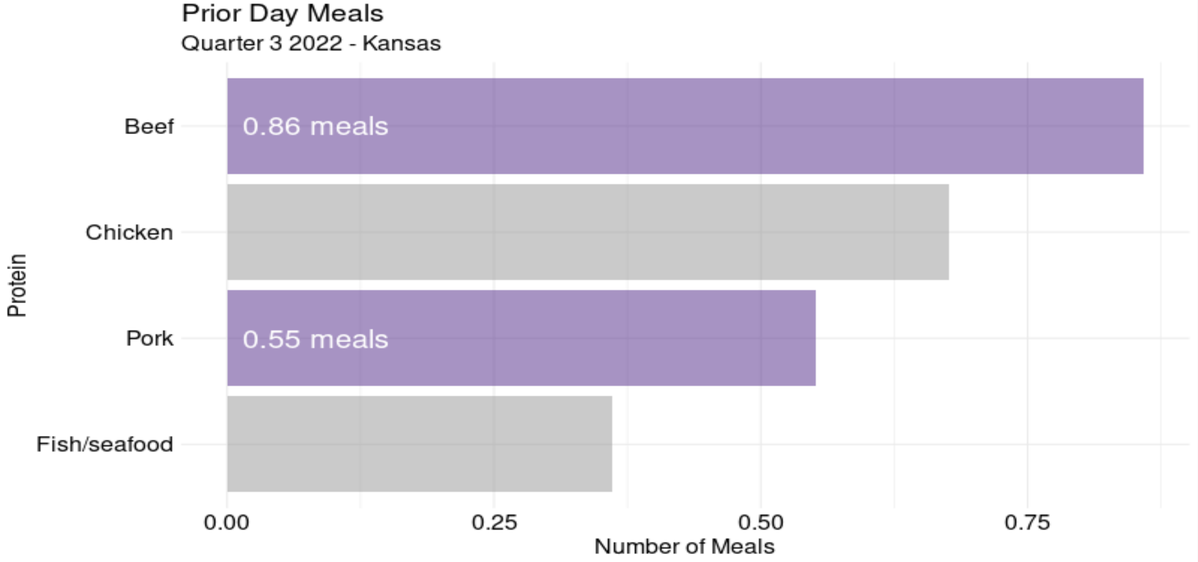
IA: 73%
WV: 73%

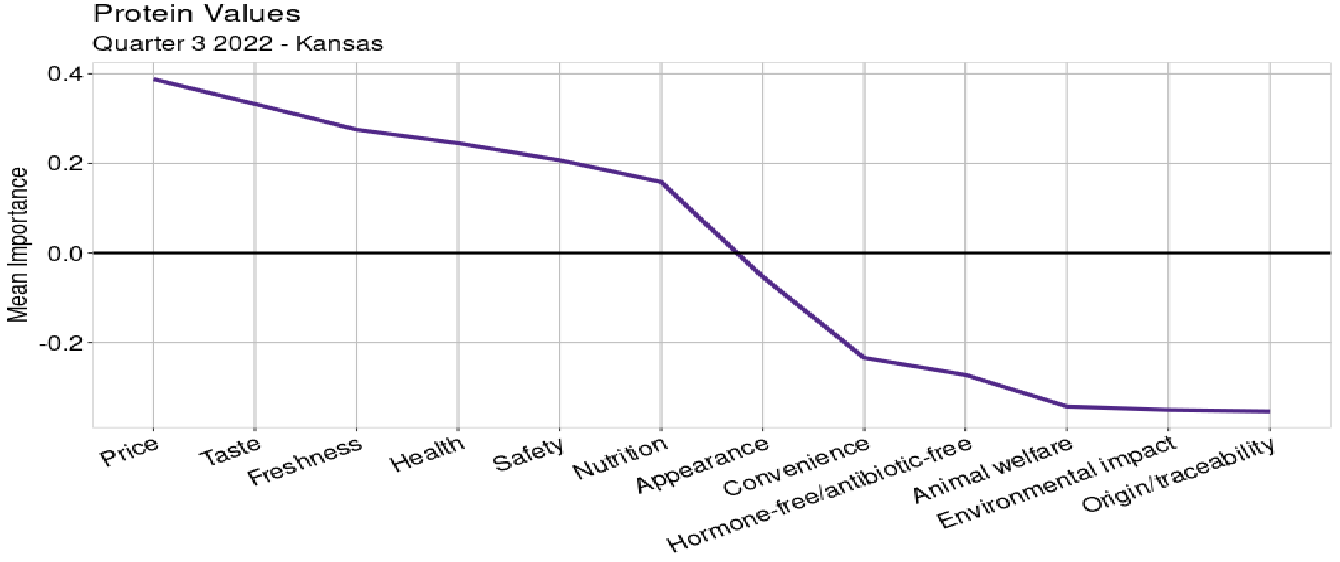
RI: 36%
WA: 40%

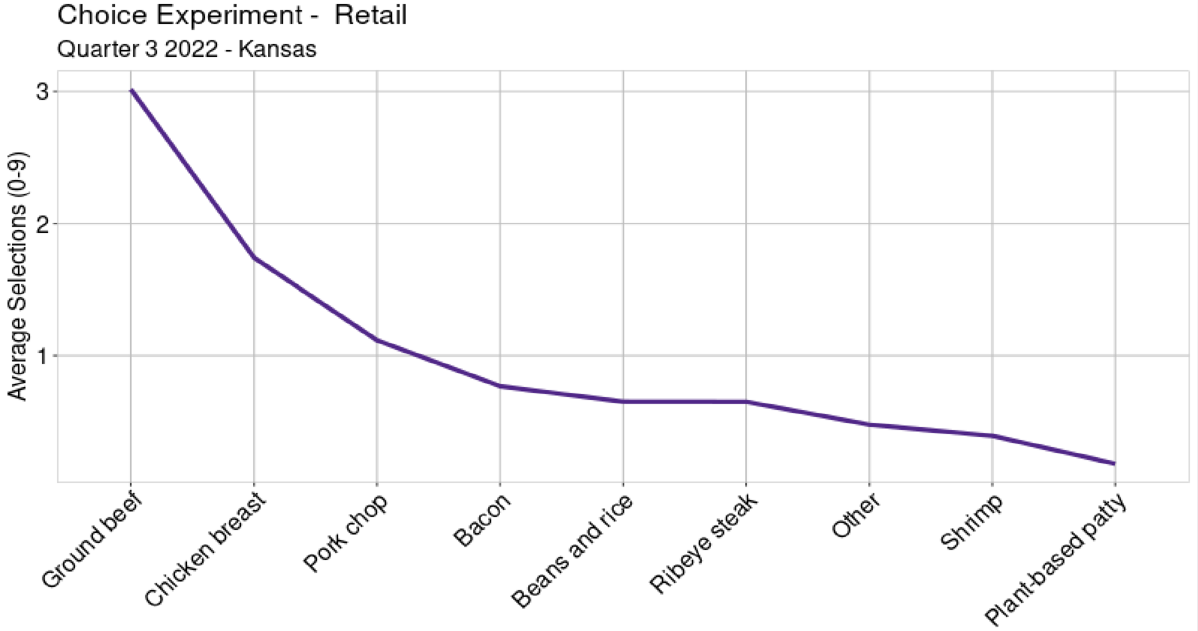
https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data

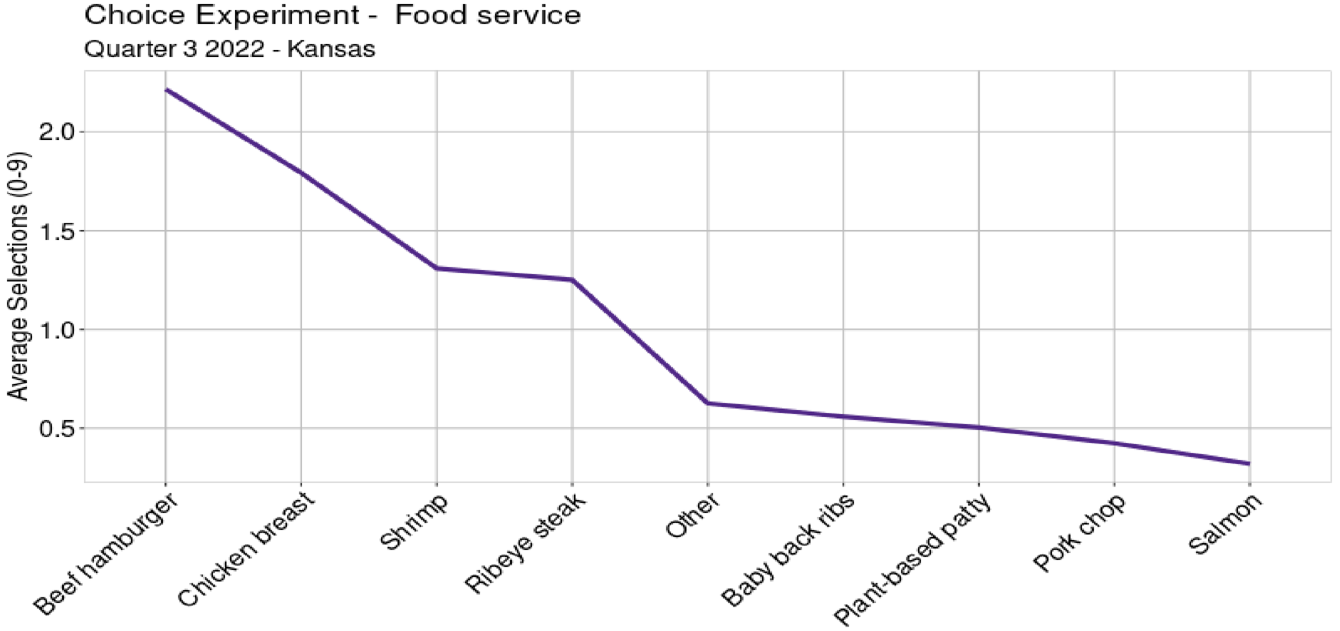
MDM Dashboard: Q3.2022 KS Example

https://ksumeatdemandmonitor.shinyapps.io/MDMapp/









Take-Home Summary

- Herd Dynamics = Reduced Beef Supplies = Likely 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