

Ukraine and Russian Conflict: Livestock-Meat Situation

March 11, 2022

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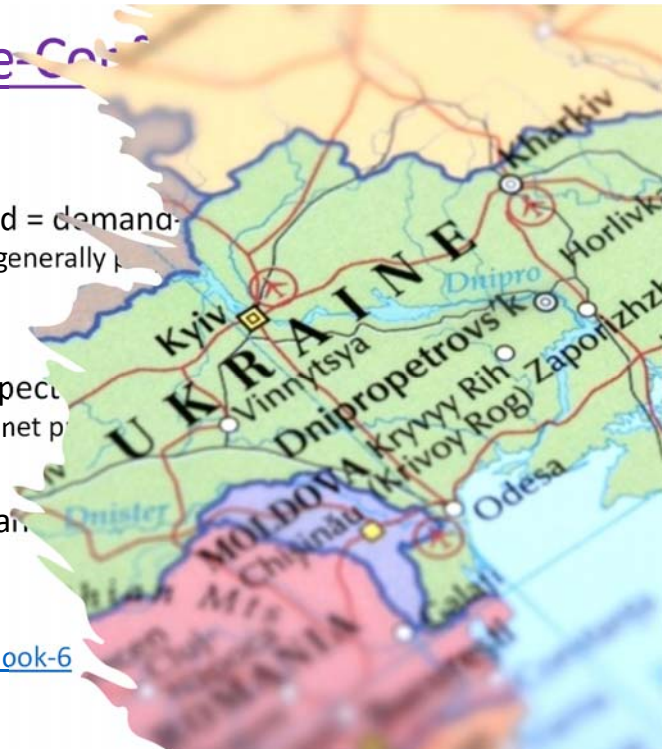


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Broad U.S. Situation, Pre-Conflict

- Smaller herds = supply-side price support
- Strong domestic AND export meat demand = demand-side price support
 - Combined, higher livestock prices than 2021 generally
 - Also underpinned higher meat prices
- Drought & elevated costs were already expected
 - Hence, even with higher revenue projections net profit projections were still negative
- Expanded livestock producer, price risk management
- See Jan 26th slides of full “outlook”
 - <https://www.agmanager.info/beef-cattle-outlook-6>



Futures Market Implied Impacts

CME Contract	Live Cattle		Feeder Cattle		Lean Hogs		Class III Milk	
	APR	OCT	APR	OCT	APR	OCT	APR	OCT
<u>Market Date</u>								
Wednesday, January 5, 2022	\$141.95	\$140.52	\$169.77	\$181.80	\$ 88.68	\$ 85.35	\$ 21.33	\$ 20.32
Thursday, February 17, 2022	\$146.77	\$145.80	\$166.20	\$187.95	\$107.57	\$ 94.68	\$ 22.83	\$ 21.29
Thursday, February 24, 2022	\$142.30	\$143.25	\$159.10	\$185.07	\$105.53	\$ 95.25	\$ 23.23	\$ 21.78
Friday, March 4, 2022	\$135.77	\$141.63	\$153.13	\$181.55	\$100.45	\$ 92.80	\$ 23.68	\$ 22.40
Wednesday, March 9, 2022	\$137.50	\$142.70	\$153.75	\$183.28	\$100.95	\$ 92.38	\$ 24.08	\$ 22.61
Jan 5 to Feb 24, % Change	0.2%	1.9%	-6.3%	1.8%	19.0%	11.6%	8.9%	7.2%
Feb 24 to Mar 9, % Change	-3.4%	-0.4%	-3.4%	-1.0%	-4.3%	-3.0%	3.7%	3.8%

Corn		SP500	CME Contract
MAR	DEC		
			<u>Market Date</u>
\$ 6.02	\$ 5.55	4,701	Wednesday, January 5, 2022
\$ 6.50	\$ 5.97	4,380	Thursday, February 17, 2022
\$ 6.95	\$ 6.05	4,289	Thursday, February 24, 2022
\$ 7.57	\$ 6.30	4,329	Friday, March 4, 2022
\$ 7.39	\$ 6.36	4,278	Wednesday, March 9, 2022
15.4%	9.0%	-8.8%	Jan 5 to Feb 24, % Change
6.3%	5.1%	-0.3%	Feb 24 to Mar 9, % Change

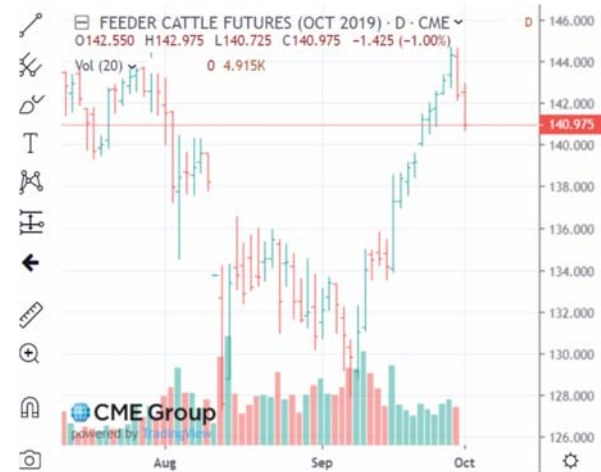
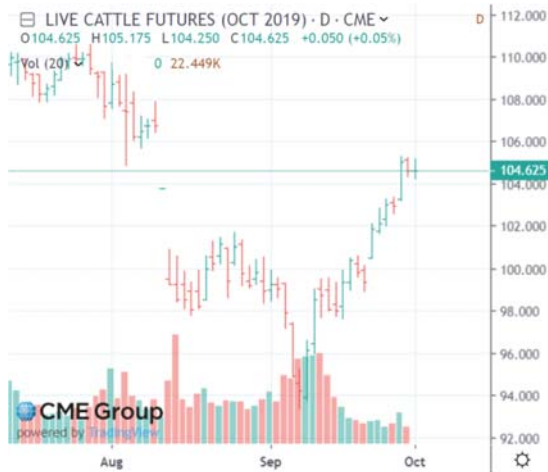


Spot/Cash Market Impacts

Live Cattle		Feeder Cattle		Barrows & Gilts (Carcass)		Early Weaned Pigs (Cash)		Corn	
Date	5-Area Wtd Avg	Date	KS 7-750	Date	Natl Wtd Avg Net	Date	Natl 10-12 lbs	Date	Garden City
1/6	\$138.71	1/7	\$165.52	1/7	\$ 77.47	1/7	\$ 64.59	1/6	\$ 6.43
2/17	\$142.16	2/18	\$166.24	2/18	\$ 96.93	2/18	\$ 89.69	2/17	\$ 6.99
2/24	\$144.03	2/25	\$167.16	2/25	\$ 98.26	2/25	\$ 86.17	2/24	\$ 7.42
3/3	\$140.45	3/4	\$159.05	3/4	\$ 97.91	3/4	\$ 84.90	3/3	\$ 7.93
3/9	\$137.97	3/9	\$156.16	3/9	\$103.47			3/9	\$ 7.91



Markets Often Operate Like A Pendulum Consider 2019 Holcomb Event



Higher Grain Price Impacts: Primarily A Supply-Side Story

- Near-term
 - Elevated ration costs squeeze producer margins
 - Lower finished weights (most likely)
- Longer-term
 - Reduced herd size and ultimately meat vol.
- Consider Wheat Grazing
 - Higher wheat \$ = more acres?
 - More acres = more grazing ?
 - Not if feeder cattle \$ don't "keep up"



What about Meat Demand? Macroeconomic Decline = Meat Demand Decline ?

Table 2.1. Aggregate Meat Demand Elasticities Summary

Period	Beef Price Used	Beef Demand				Pork Demand		Chicken Demand	
		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

Assessing Beef Demand Determinants

Prepared for the Cattlemen's Beef Board

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and Ted C. Schroeder, Kansas State University (tc@ksu.edu)

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>



January 18, 2018

Domestic Meat Demand

Monthly Meat Demand Monitor, Methods, and Supporting Information

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

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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]**
 - Monthly Meat Demand Monitor (Prior Years)
- Production Economics
- Marketing Charts
- CLPER Newsletter

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.

Title	Author	Date	Downloads
Meat Demand Monitor - January 2022	Tonsor	January 28, 2022	Downloads -
Multi-Month Summary Report: July-December 2021	Tonsor	January 13, 2022	Downloads -
Meat Demand Monitor - December 2021	Tonsor	January 6, 2022	Downloads -
Meat Demand Monitor - November 2021	Tonsor	December 3, 2021	Downloads -

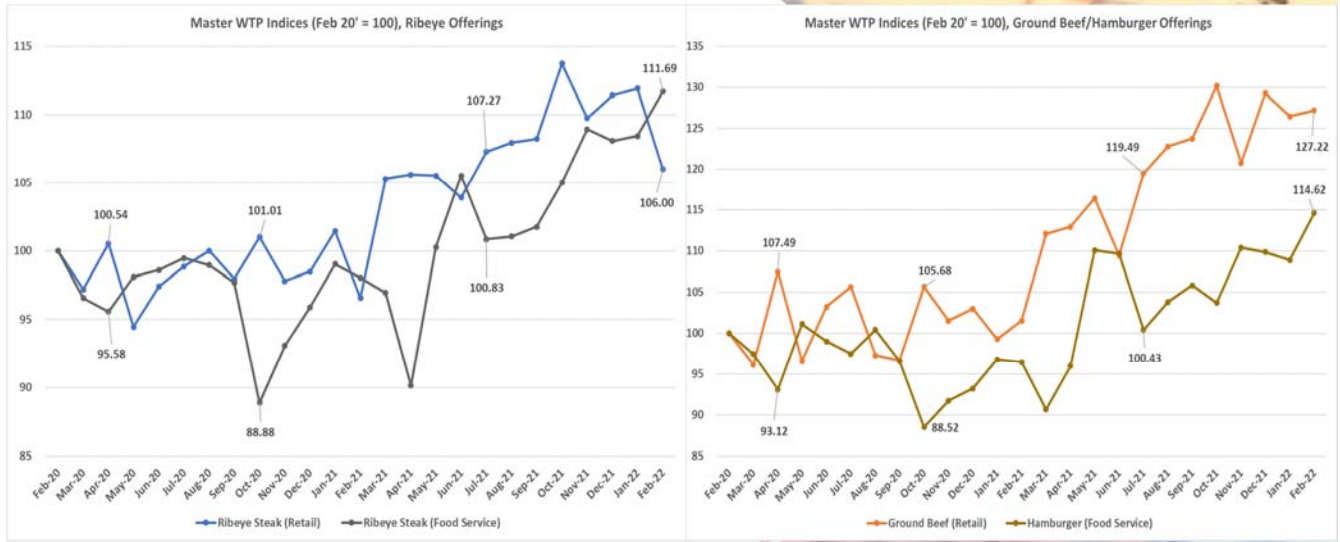
Title	Author	Date	Downloads
2022 Raw Data - MDM For 2021 data, click HERE For 2020 data, click HERE	Tonsor	February 2, 2022	Downloads -
Monthly Survey - January 2022	Tonsor	January 31, 2022	Downloads -



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

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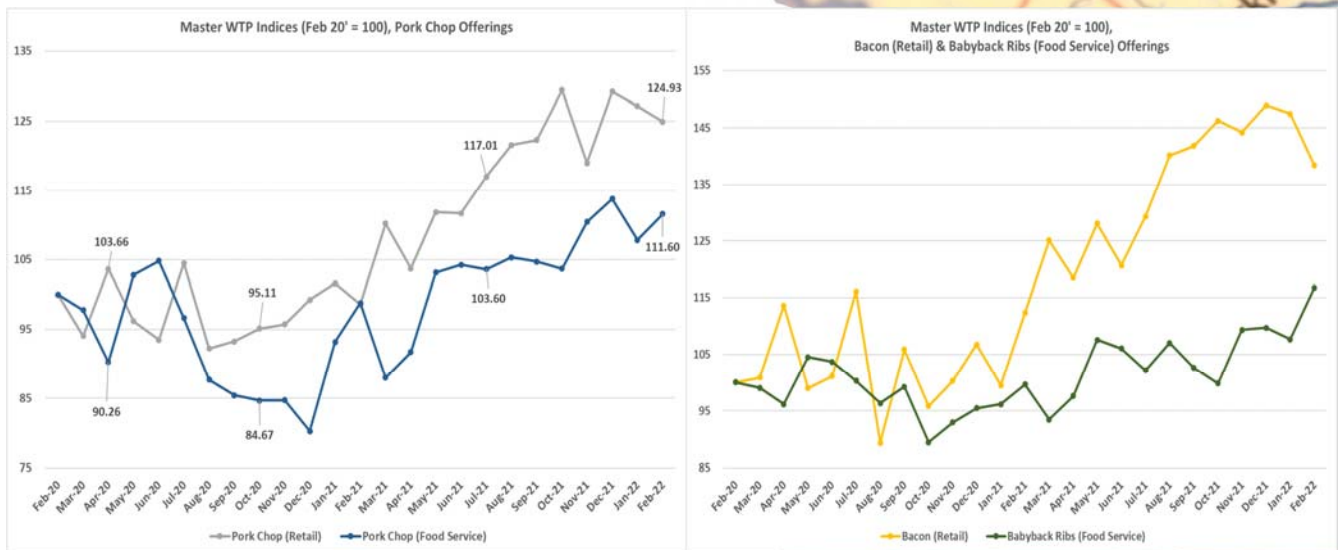
Domestic Beef Demand



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



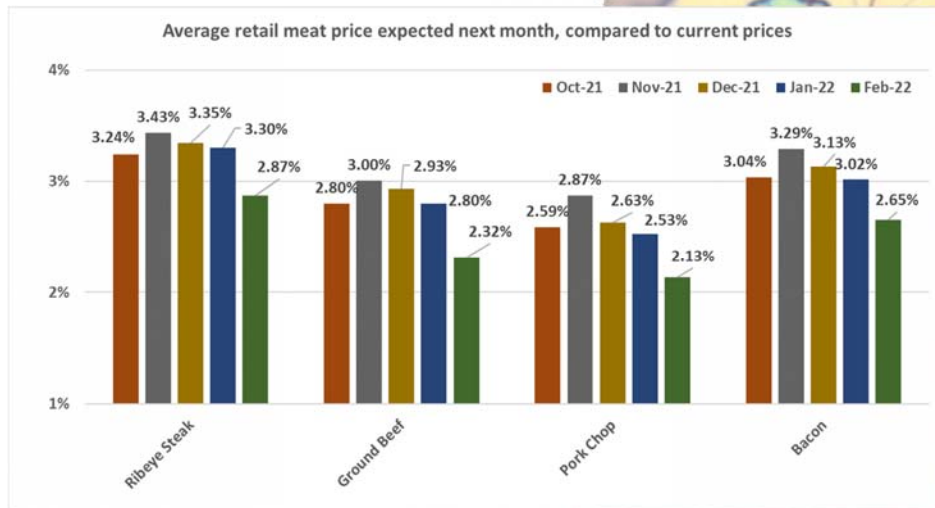
Domestic Pork Demand



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



Domestic Retail Meat Price Expectations: Peaked in Nov 21' ?



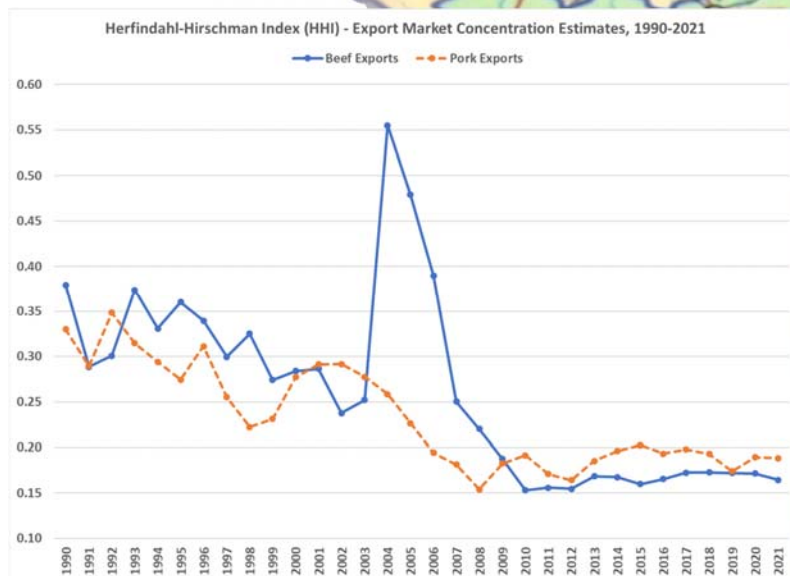
<https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data>



We Live in a Global World! Consider Evolution of U.S. Meat Exports

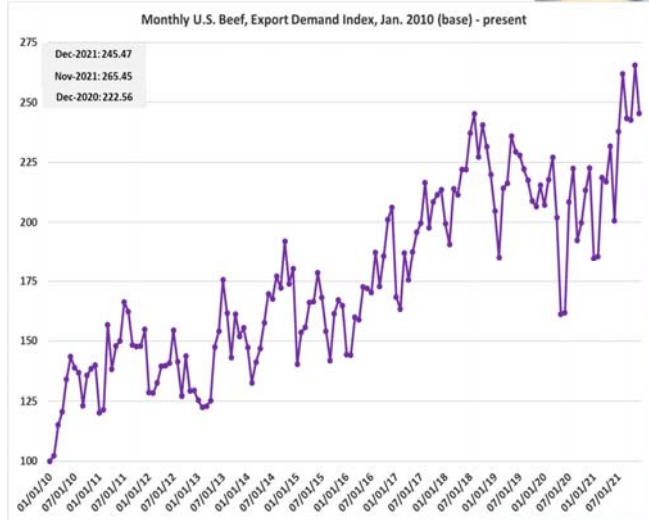
- Importantly, diversity of portfolios has developed

<https://agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/concentration-us-red-meat-exports>



Consider Evolution of U.S. Meat Exports

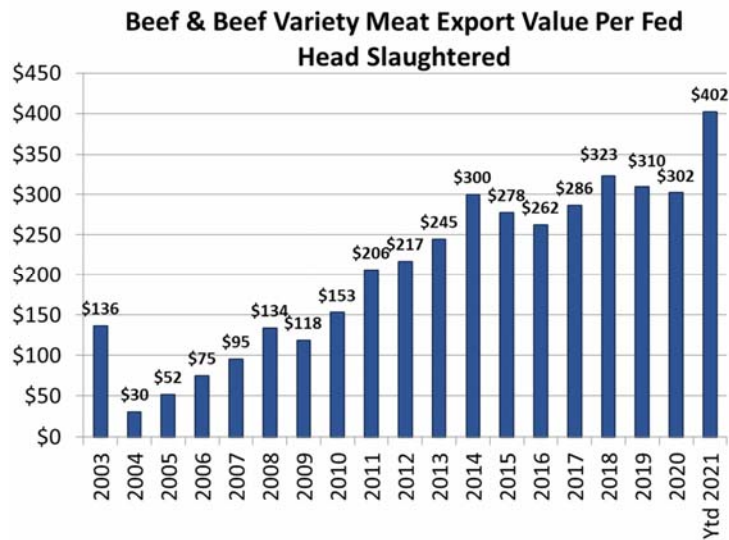
- Meanwhile, economic importance of beef trade continues to grow



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



Export Beef Demand Strength – Aligns with USMEF #s



GT: \$402/hd = ~22% of Fed Cattle Value in 2021

Source: USDA/USMEF

Ending Summary of Current Situation

- Immediate direct impact tied to feed costs, both now & upcoming seasons
- General meat demand situation sound, with storm clouds building



Ending Summary of Current Situation

- Immediate direct impact tied to feed costs, both now & upcoming seasons
 - General meat demand situation sound, with clouds building
- **GT's biggest (econ) concern is retreat from global connections = "smaller world" & "smaller U.S. industry"**





<http://library.meatingplace.com/publication/frame.php?i=727245&p=72&pn=&ver=html5>

- “Any good business plan or policy needs a clearly stated goal... and I think there are conflicting goals...”

Questions?

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



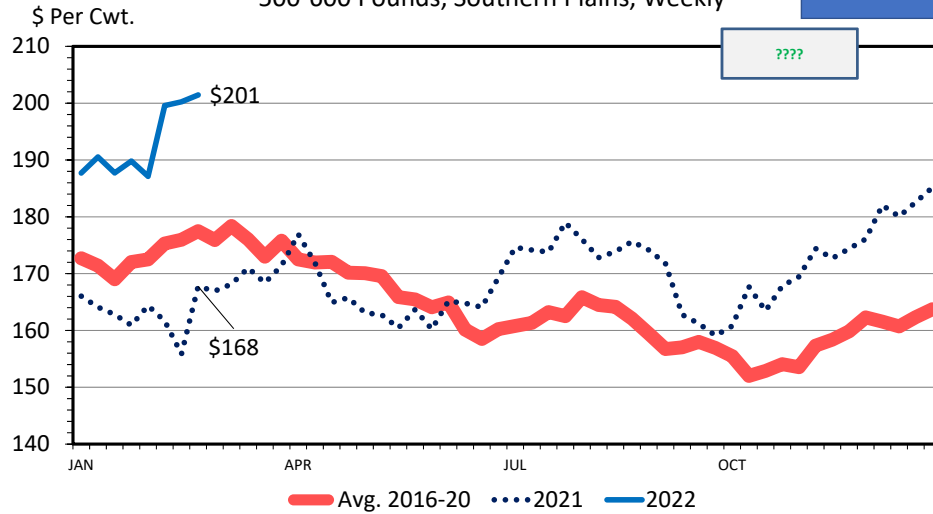
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BeefBasis.com (as of Mar 10th)

MED. & LRG. #1 STEER CALF PRICES
500-600 Pounds, Southern Plains, Weekly

Salina, KS 5.5 cwt Steer on
Oct 13th: \$207/cwt



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-54
02/28/22

Want Feeder Cattle Price, Basis, & VOG Projections?
[Use BeefBasis.com](http://BeefBasis.com)

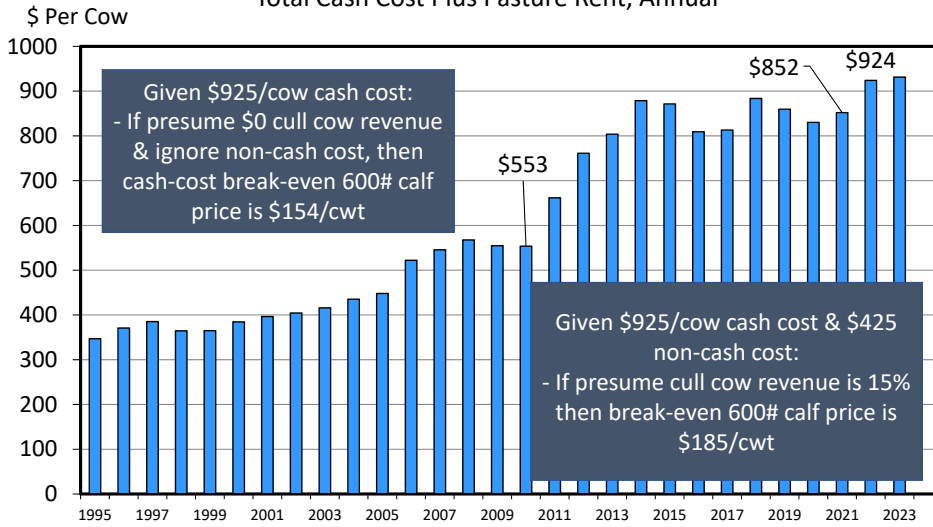
Salina SUMMER GRASS Market, as of 3/10

4/7/2022 Buy/Retail @ 750 lbs
9/1/2022 Sell @ 950 lbs
DOF=147 & ADG=1.36

- **Expected Buy Price: \$162/cwt**
- **Expected Sell Price: \$171/cwt**
- **VOG: \$410/head (\$205/cwt)**

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

02/04/22

KSU-Feeder Cattle Risk Management Tool

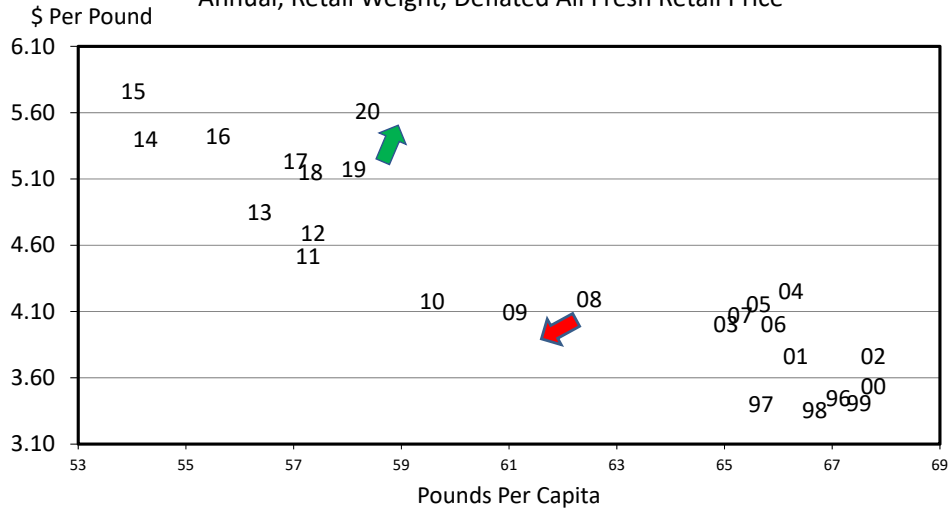
<https://www.agmanager.info/k-state-feeder-cattle-risk-management-tool>

Always good to reassess
your situation

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

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

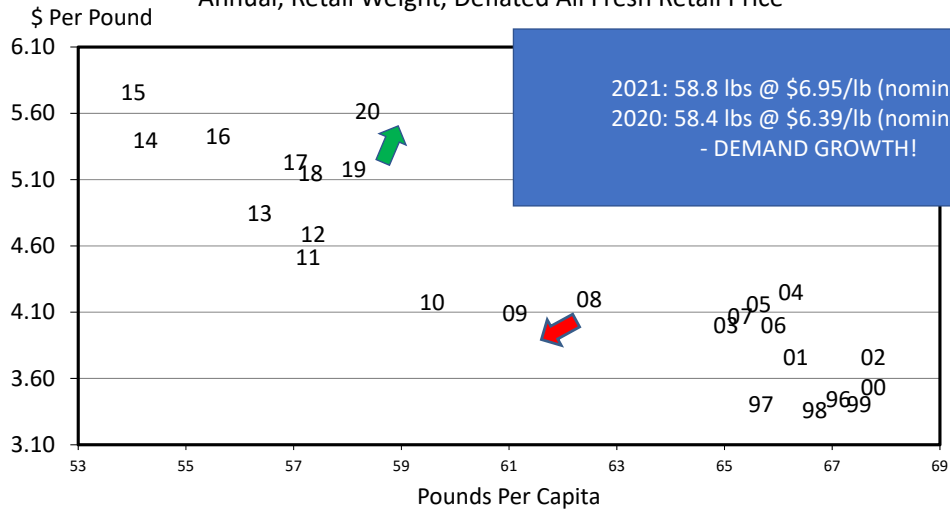


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled by LMIC
Livestock Marketing Information Center

C-P-65A
08/30/21

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

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