



Jan

Feb

CattleFax

Cattle & Beef Market Outlook

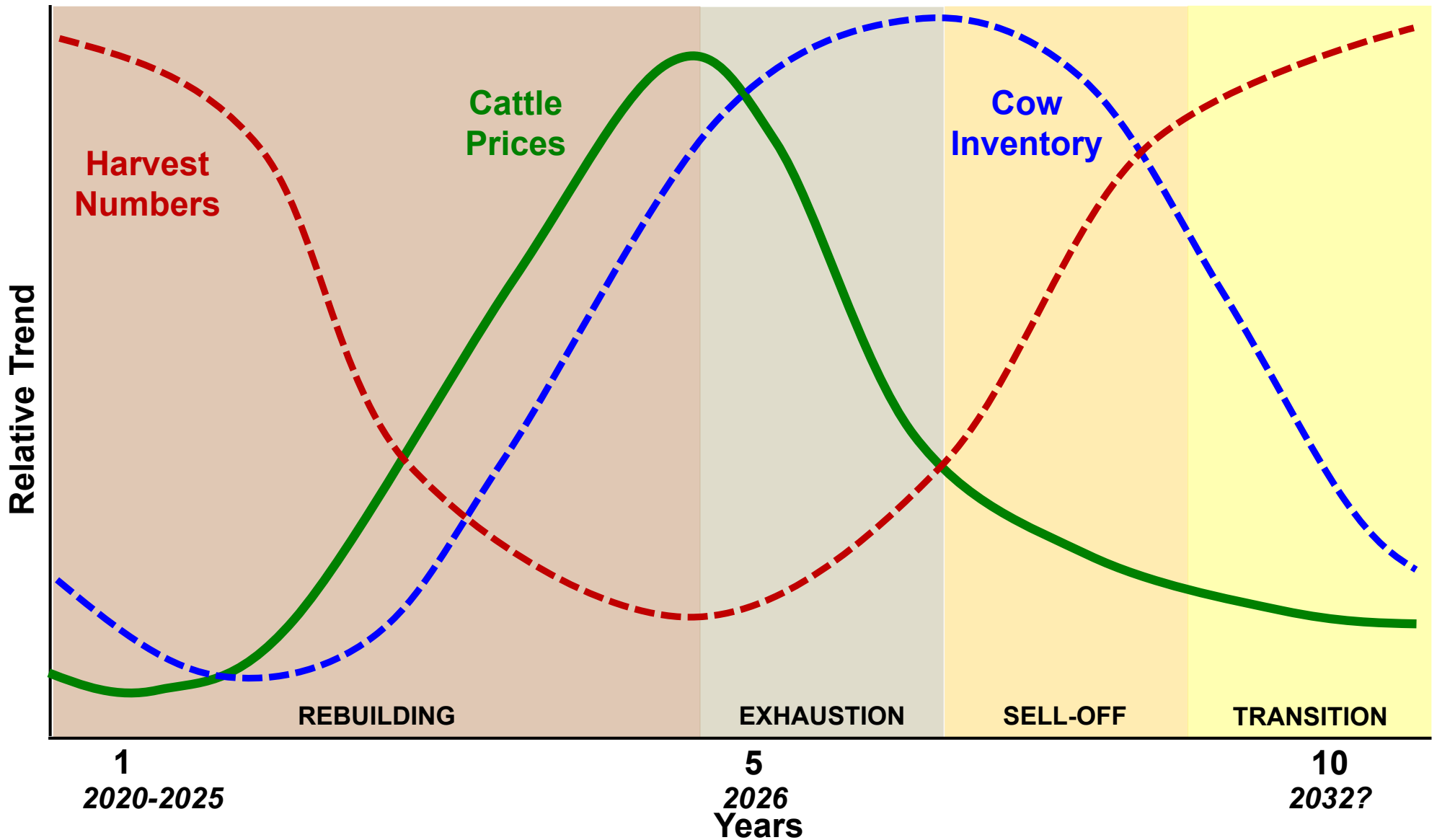
CCA/NCA Annual Convention

Patrick Linnell, December 2, 2022

Welcome to the Cattle Cycle

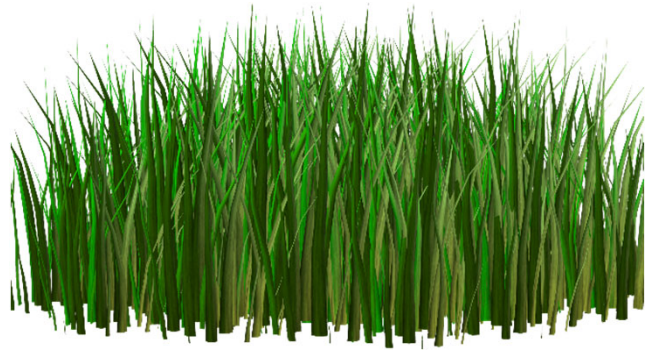
The U.S. Beef Cattle Price Cycle

Historical Cattle Market Trend (10-12 Years)



Adapted from University of Wyoming

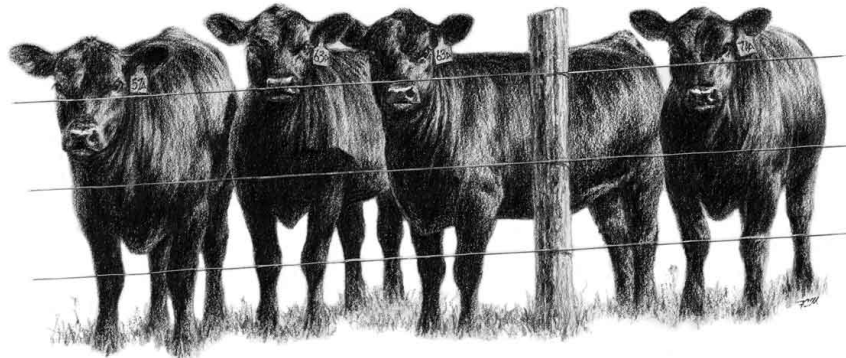
The Herd Expansion Formula:



Grass



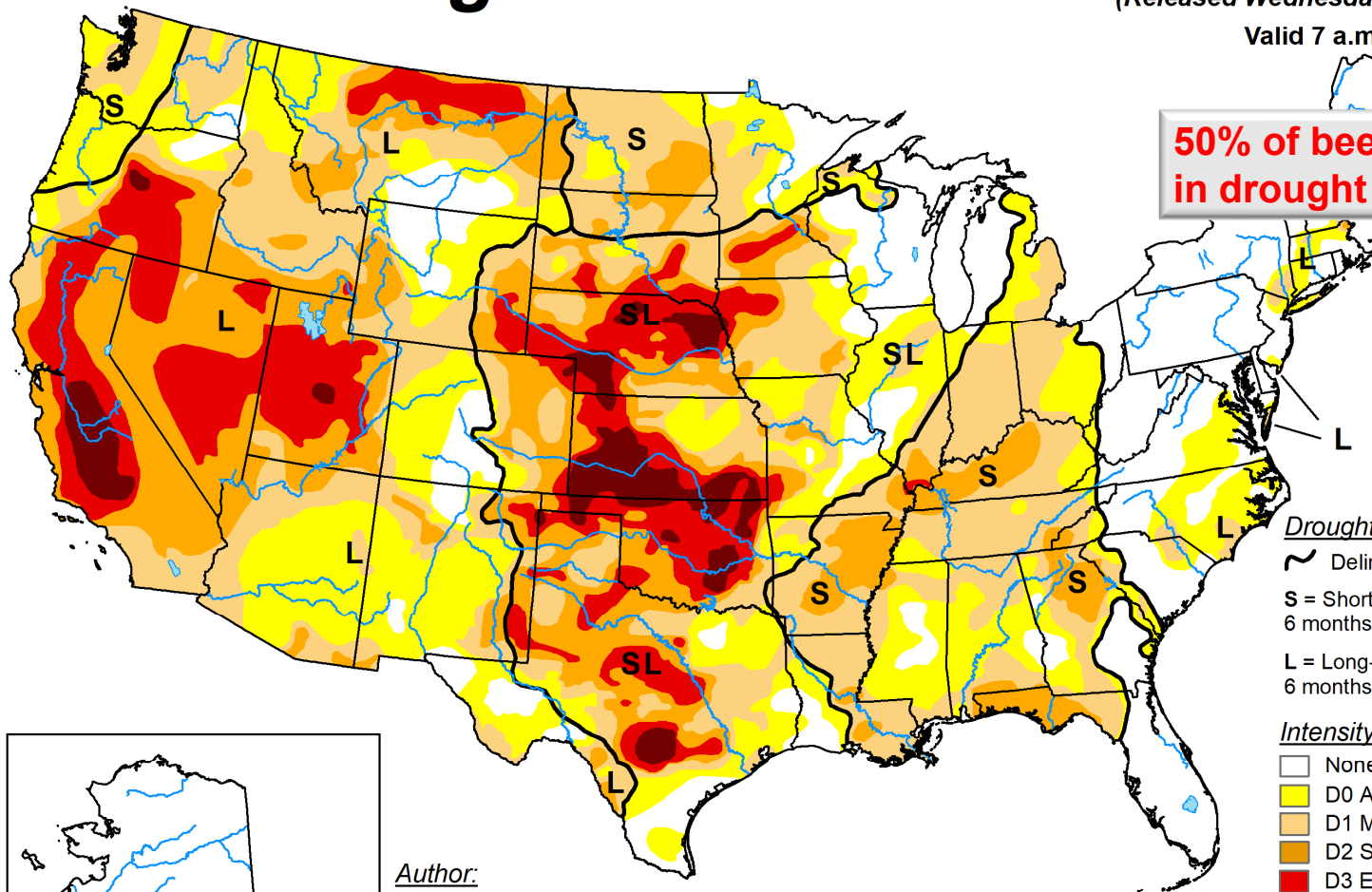
Cash



Calves

U.S. Drought Monitor

November 22, 2022
 (Released Wednesday, Nov. 23, 2022)
 Valid 7 a.m. EST

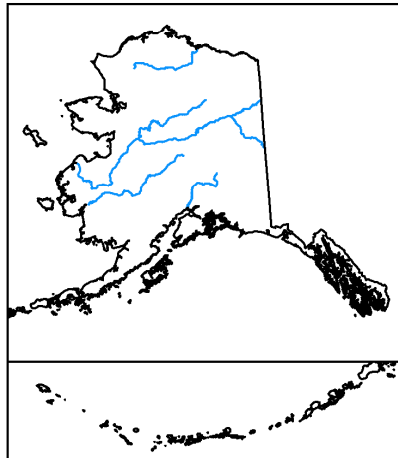


50% of beef cows living in drought conditions!

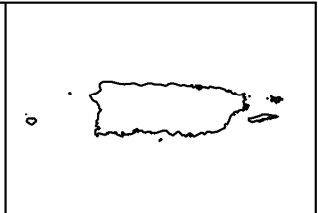
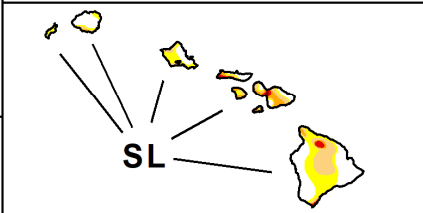
La Nina!

Drought Impact Types:
 ~ Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
 □ None
 □ D0 Abnormally Dry
 □ D1 Moderate Drought
 □ D2 Severe Drought
 □ D3 Extreme Drought
 □ D4 Exceptional Drought



Author:
 Brad Rippey
 U.S. Department of Agriculture



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>



droughtmonitor.unl.edu

Official NOAA CPC ENSO Probabilities (issued Nov. 2022)

based on $-0.5^{\circ}/+0.5^{\circ}\text{C}$ thresholds in ERSSTv5 Niño-3.4 index

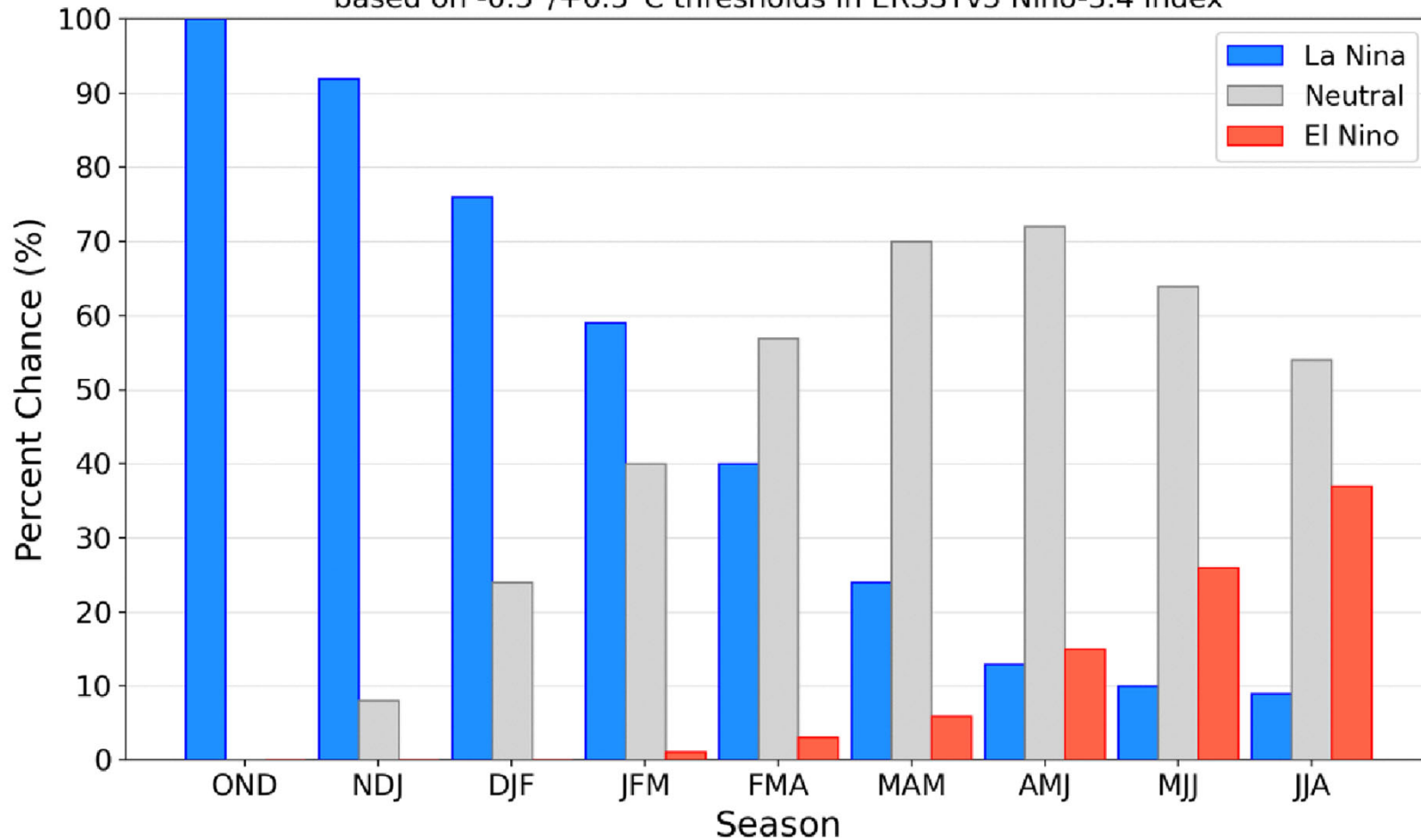
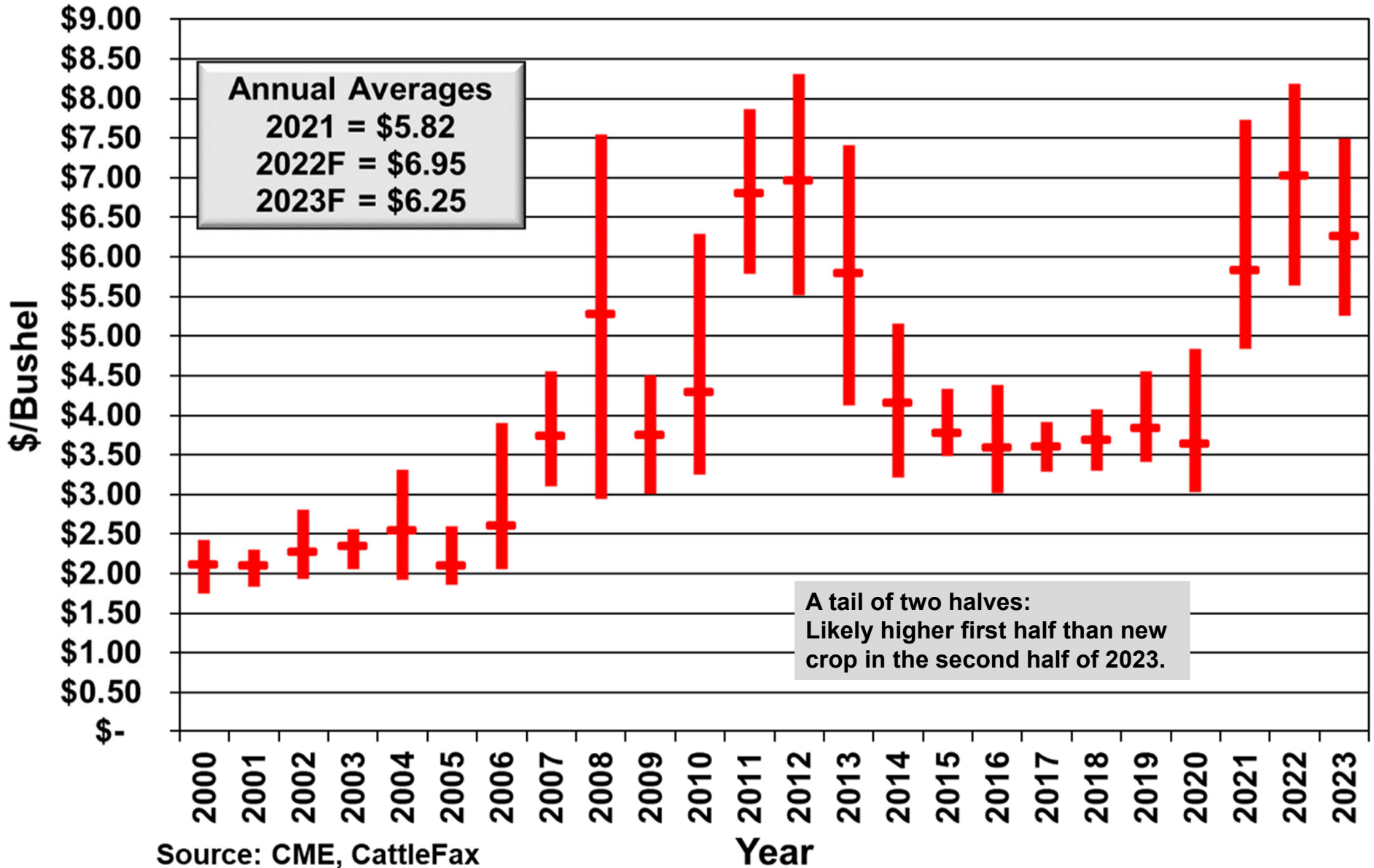


Figure 7. Official ENSO probabilities for the Niño 3.4 sea surface temperature index (5°N - 5°S , 120°W - 170°W). Figure updated 10 November 2022.

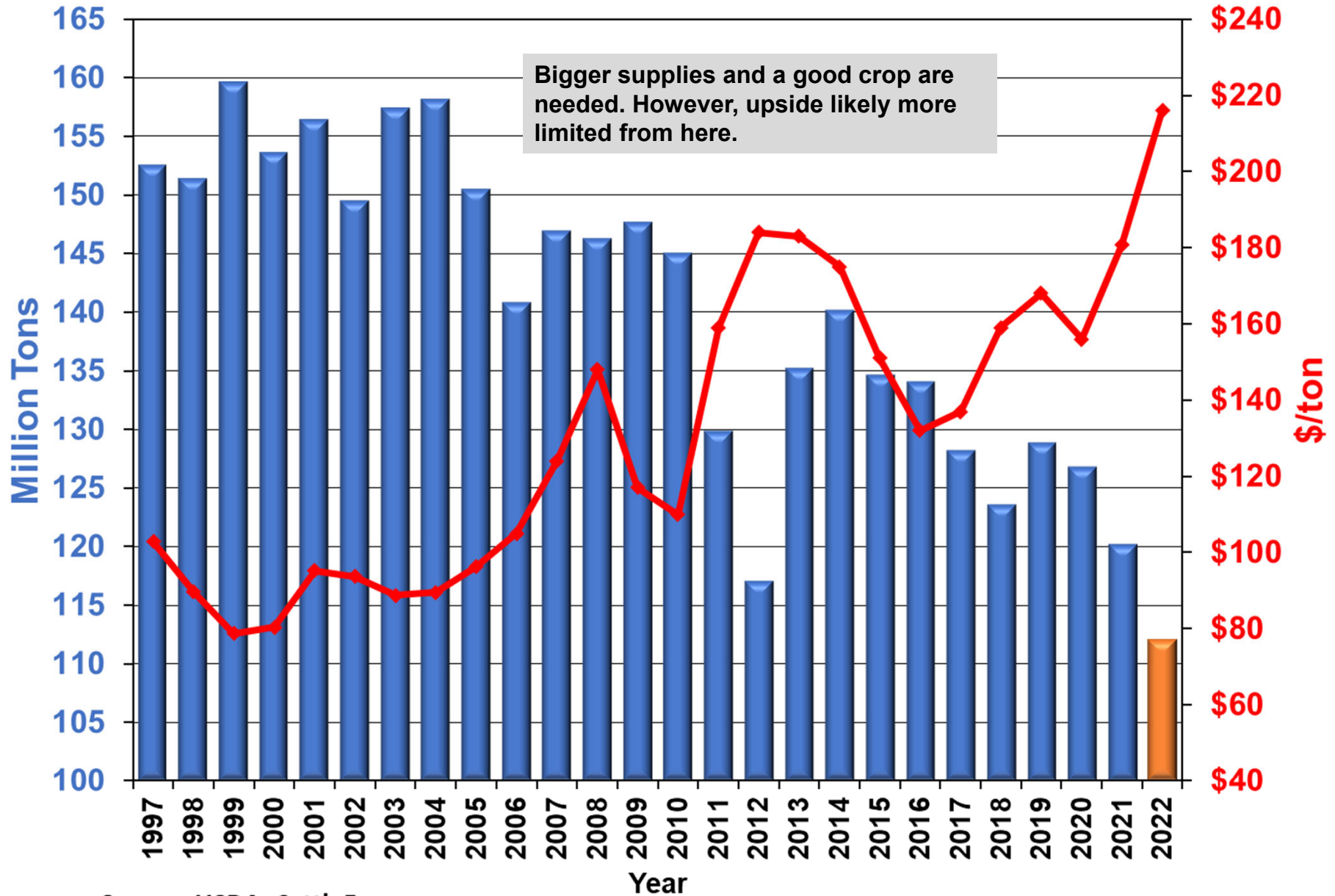
Feedstuffs & Energy

Spot Corn Futures

Annual Range of Daily Closing Prices



U.S. All Hay Production & Price



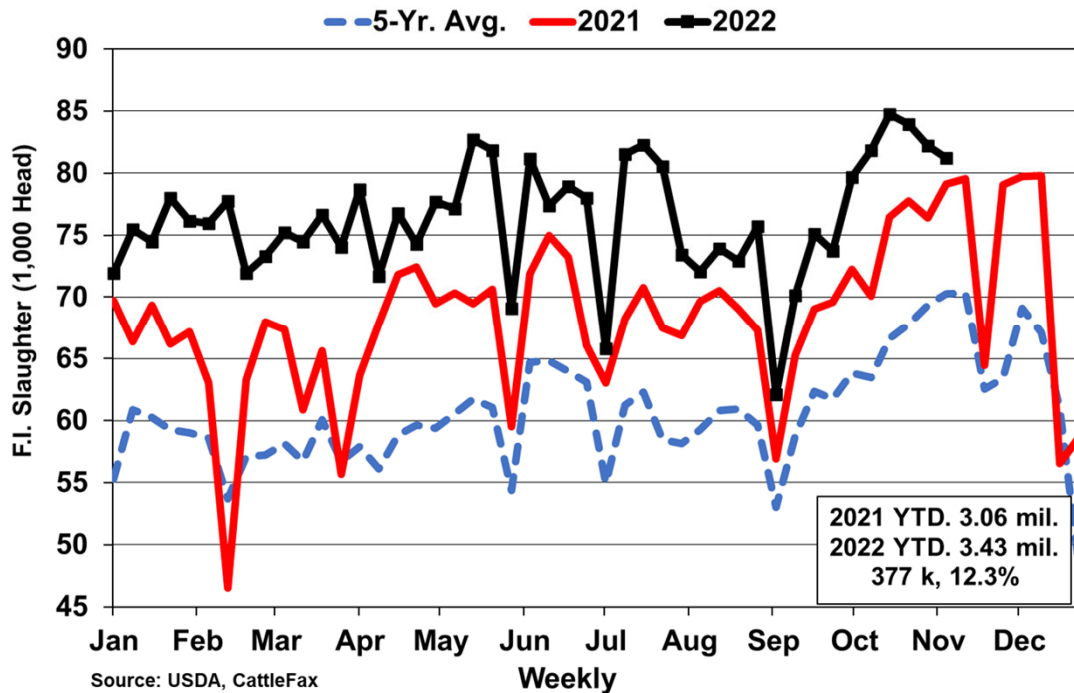
Source: USDA, CattleFax

Spot Crude Oil - Weekly



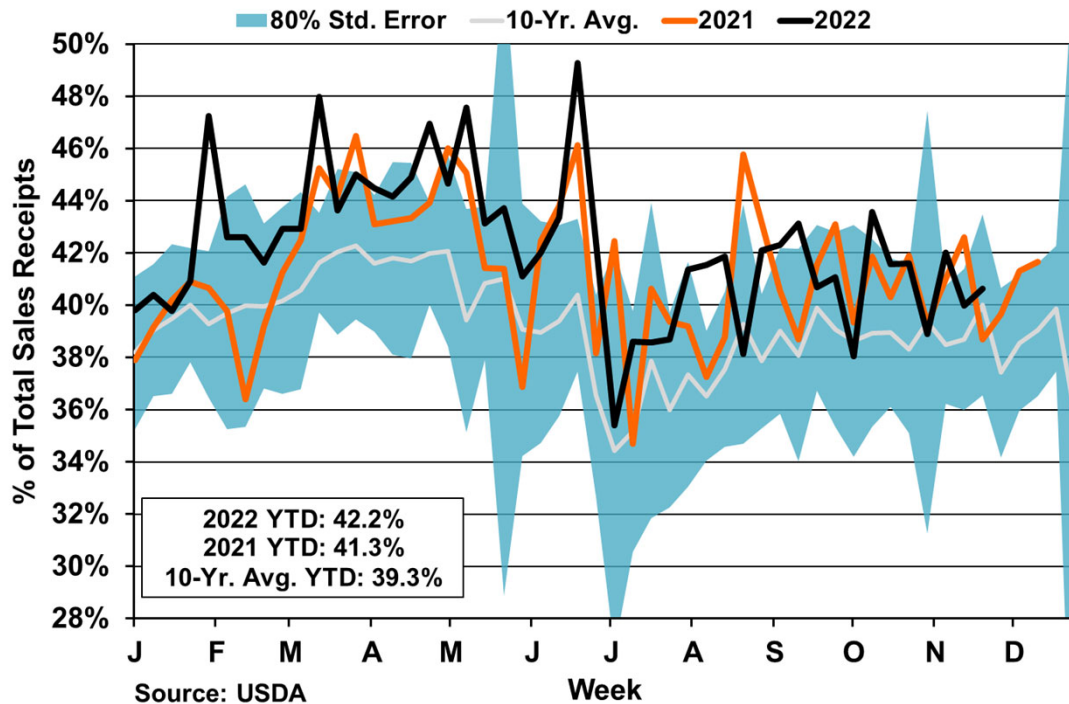
Herd Liquidation & Supply Implications

USDA Beef Cow Slaughter



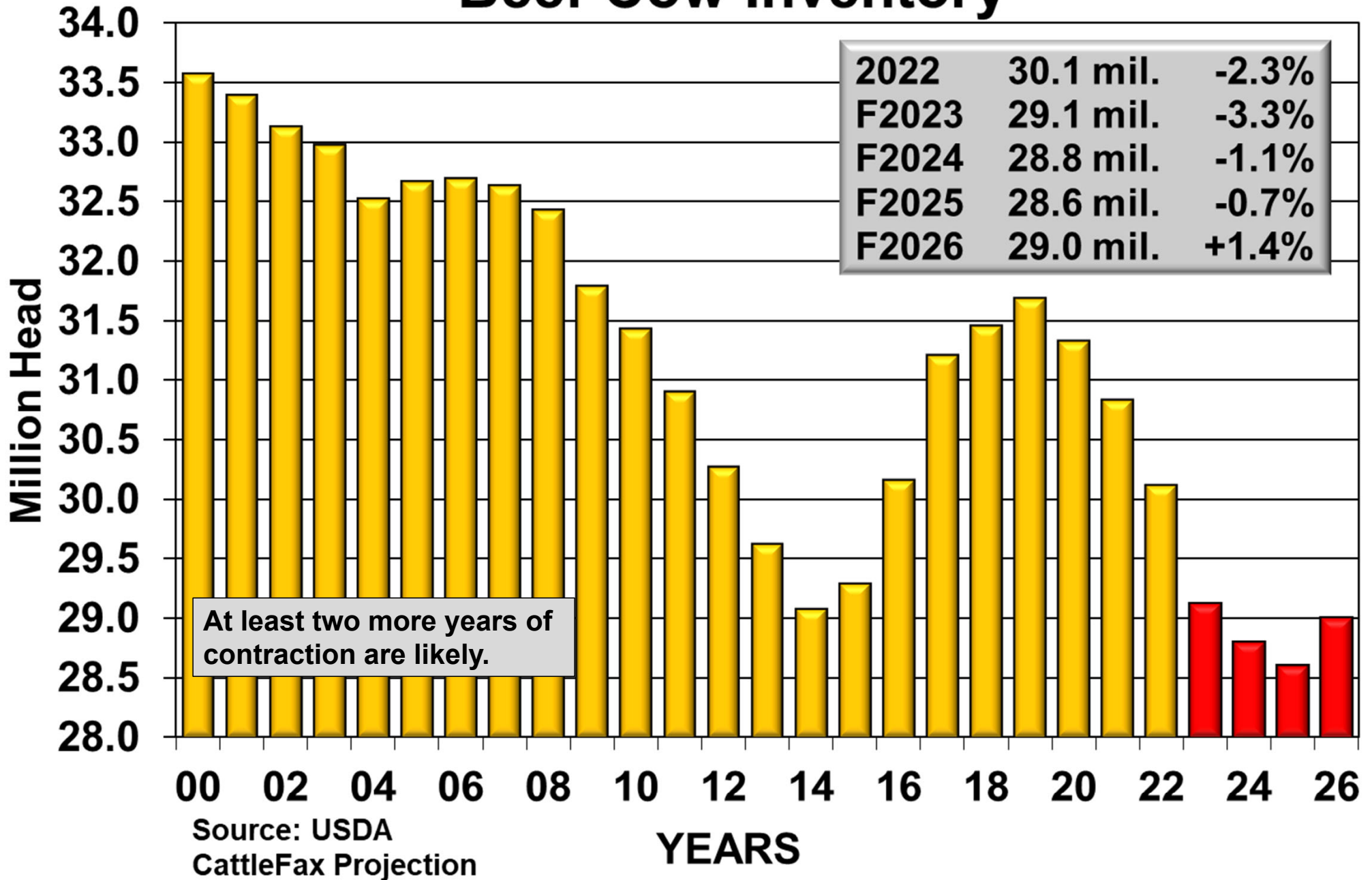
On pace for a record-high culling rate of 13%

Heifers as % of U.S. Feeder & Calf Sales

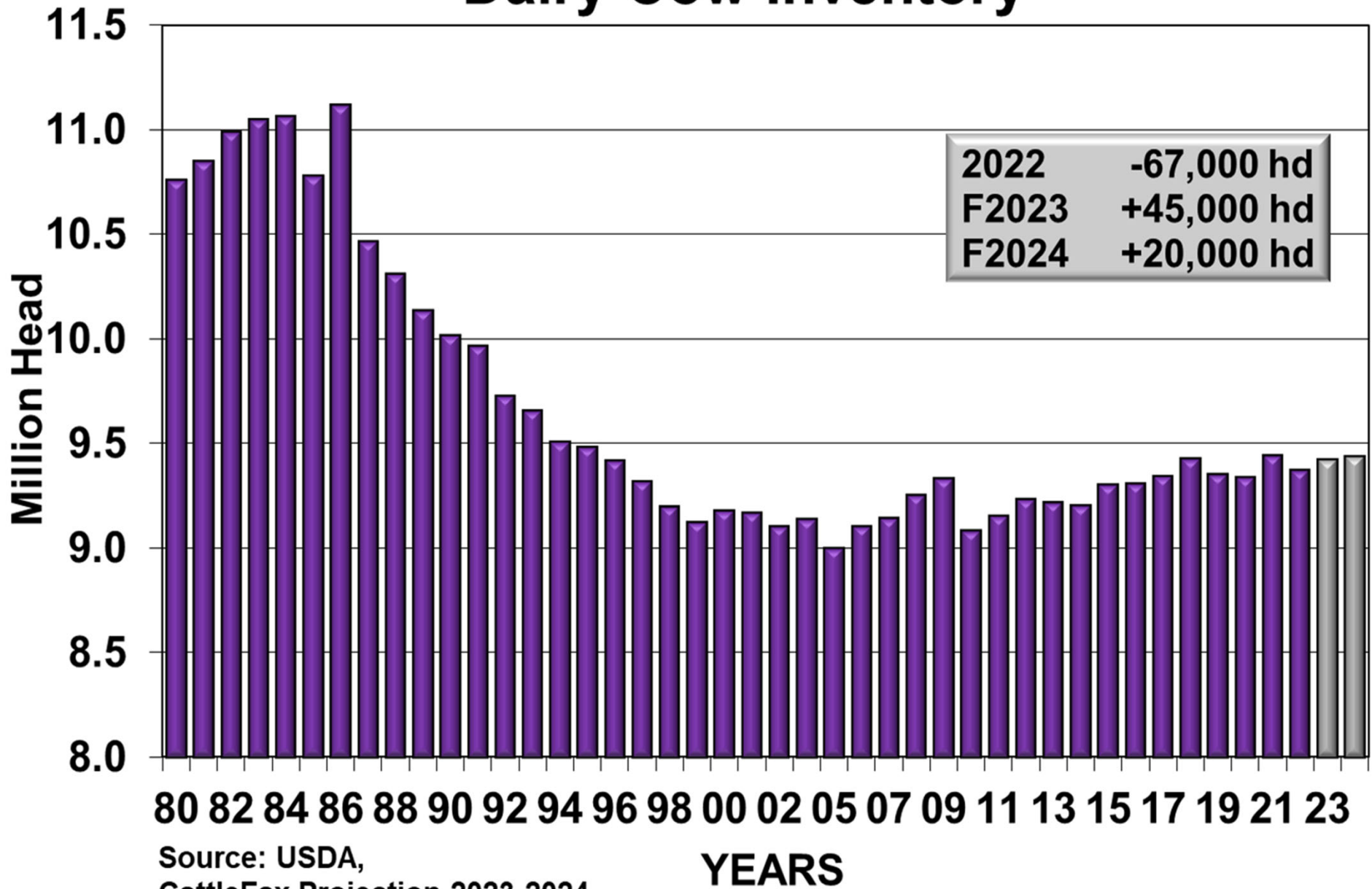


Still too many heifers in the slaughter mix and heading to the feedyard

Beef Cow Inventory

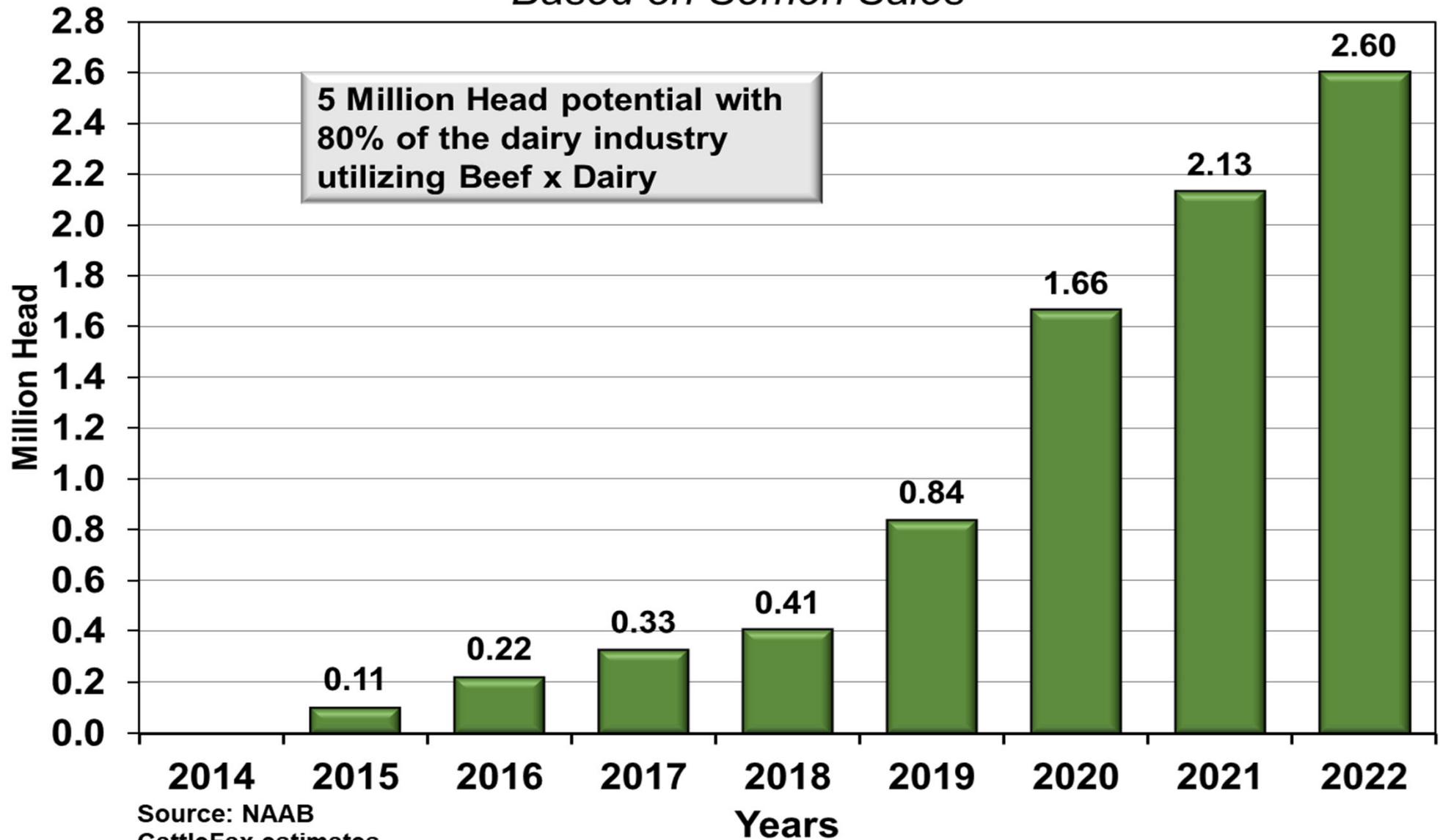


Dairy Cow Inventory

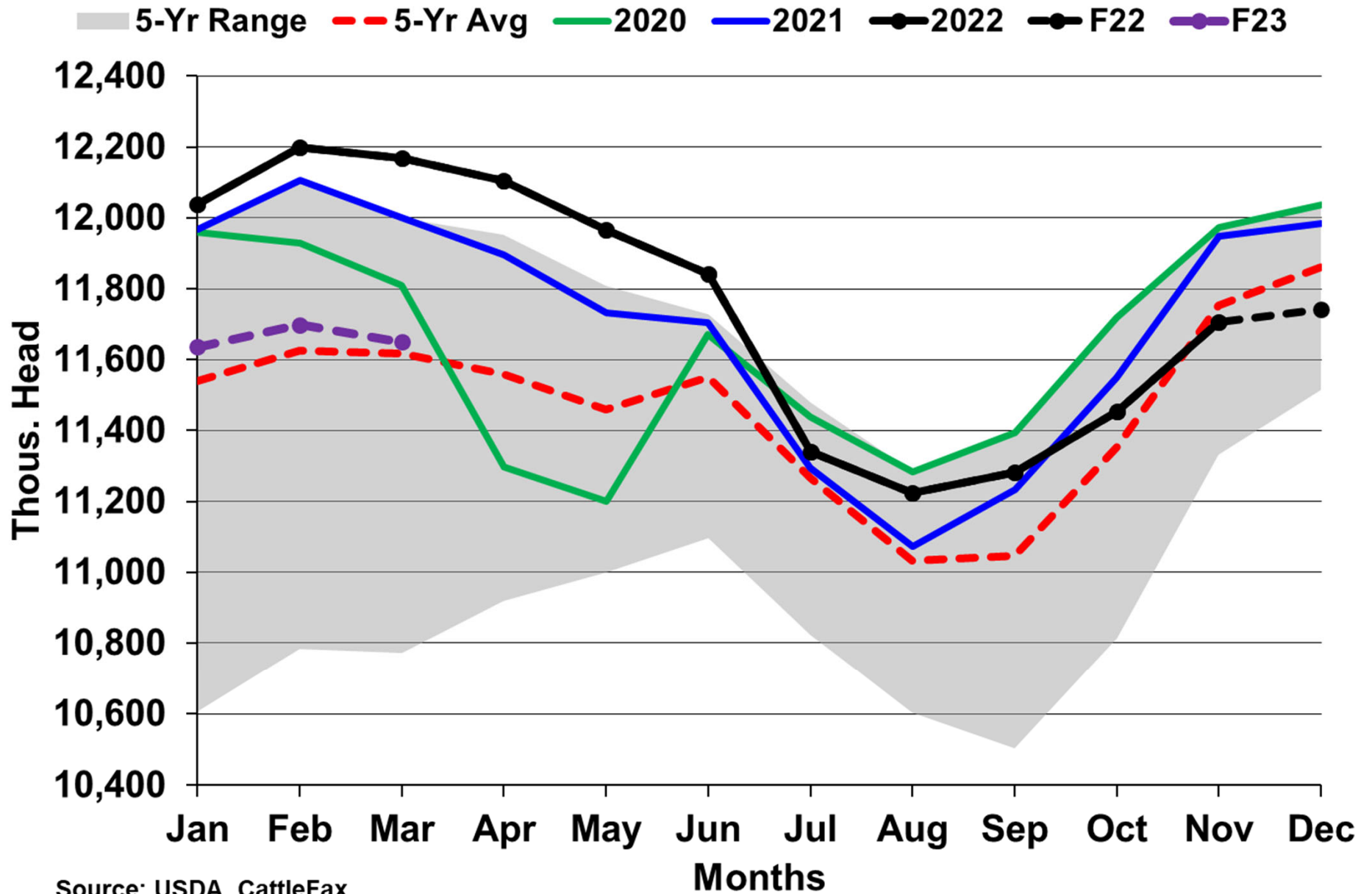


Estimated Beef x Dairy Calf Crop

Based on Semen Sales

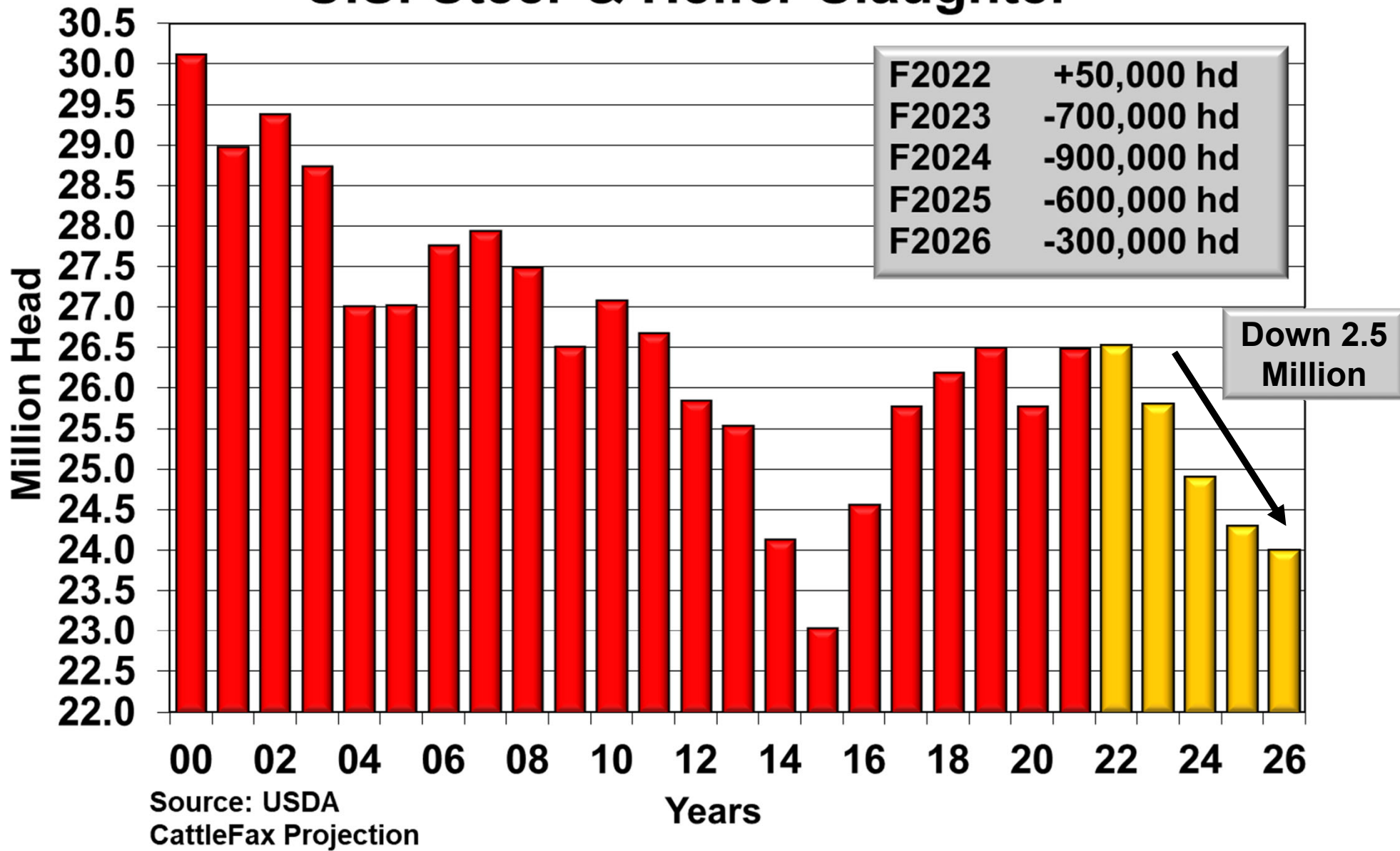


Monthly USDA Cattle on Feed

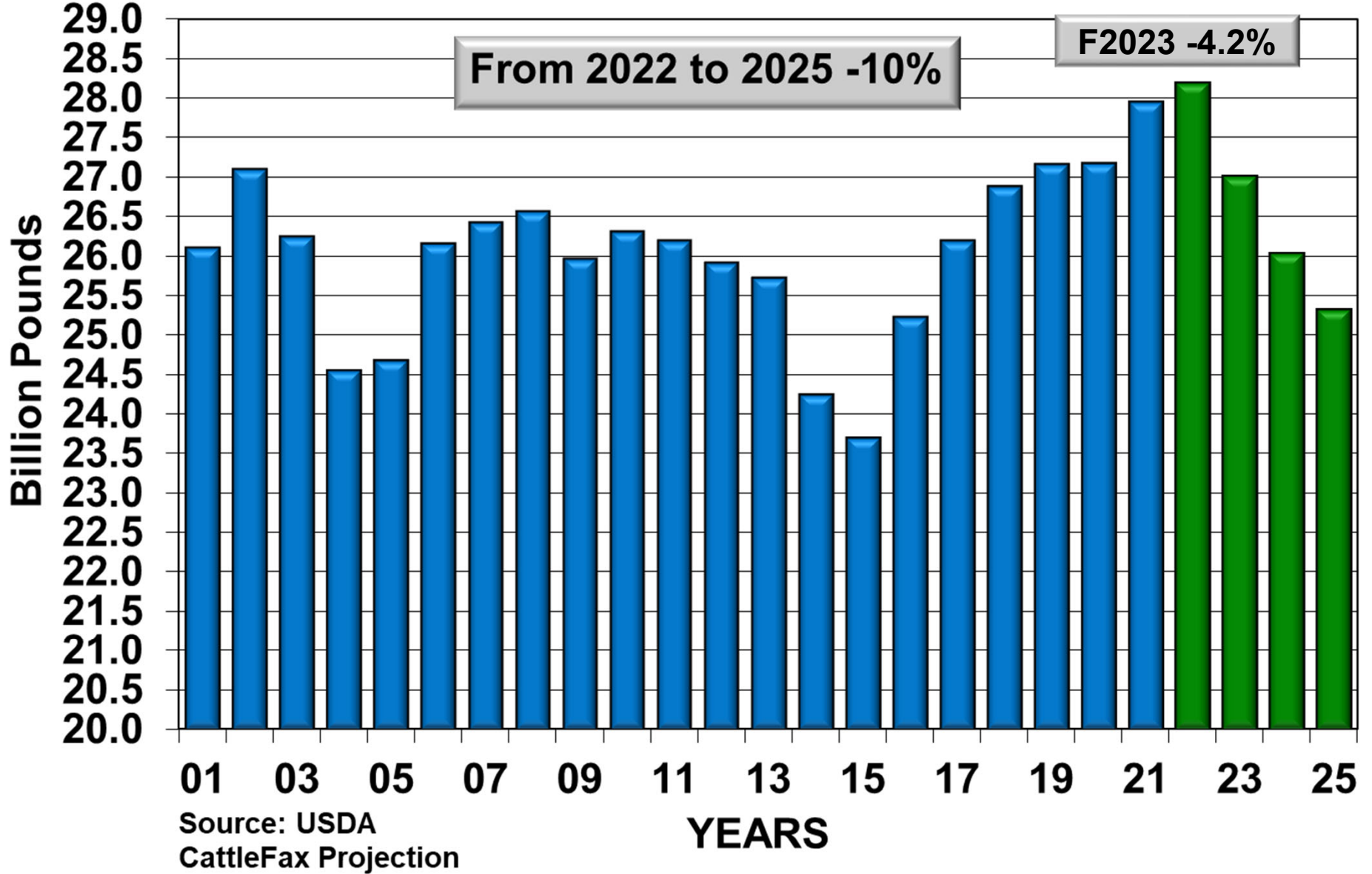


Source: USDA, CattleFax

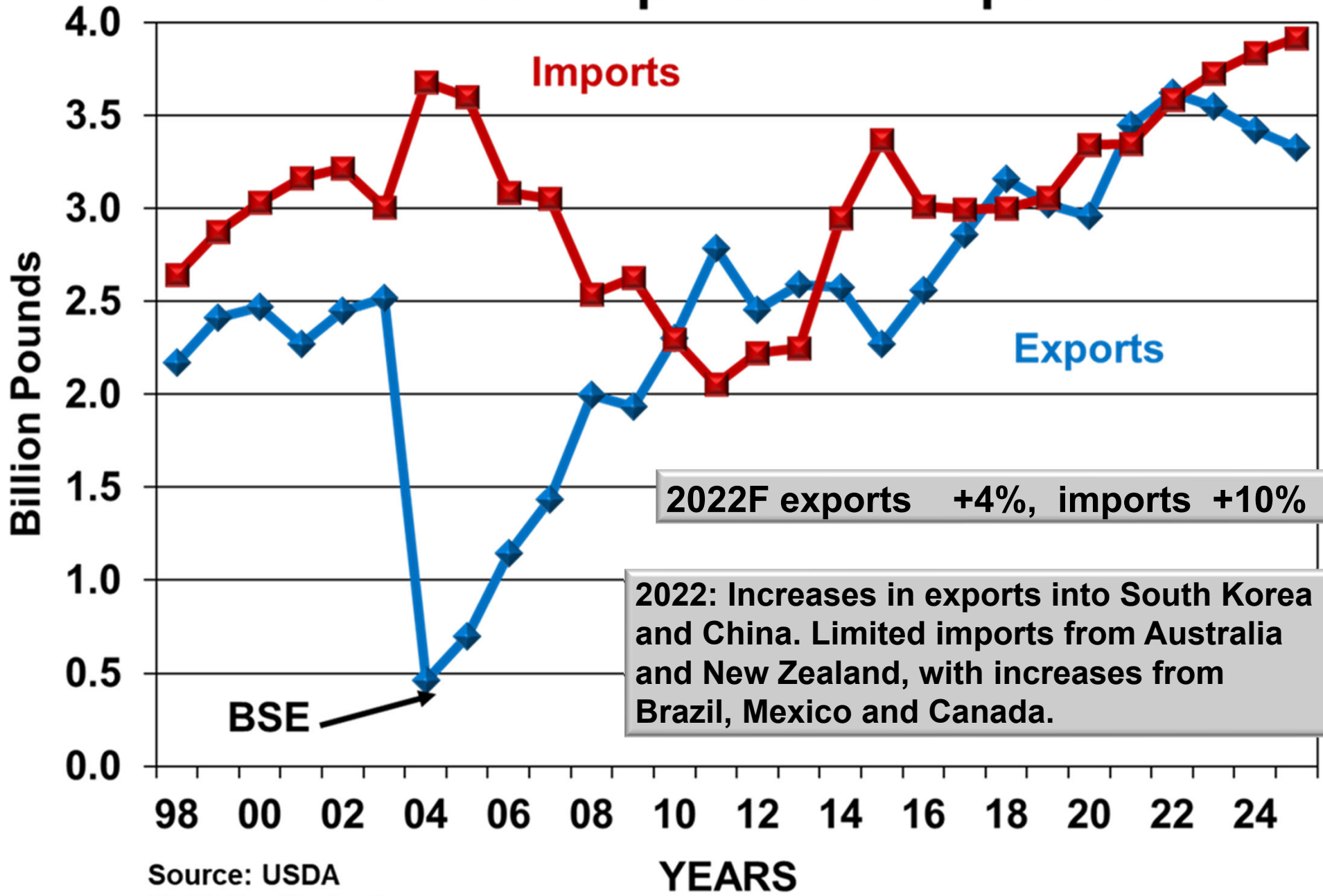
U.S. Steer & Heifer Slaughter



U.S. Commercial Beef Production

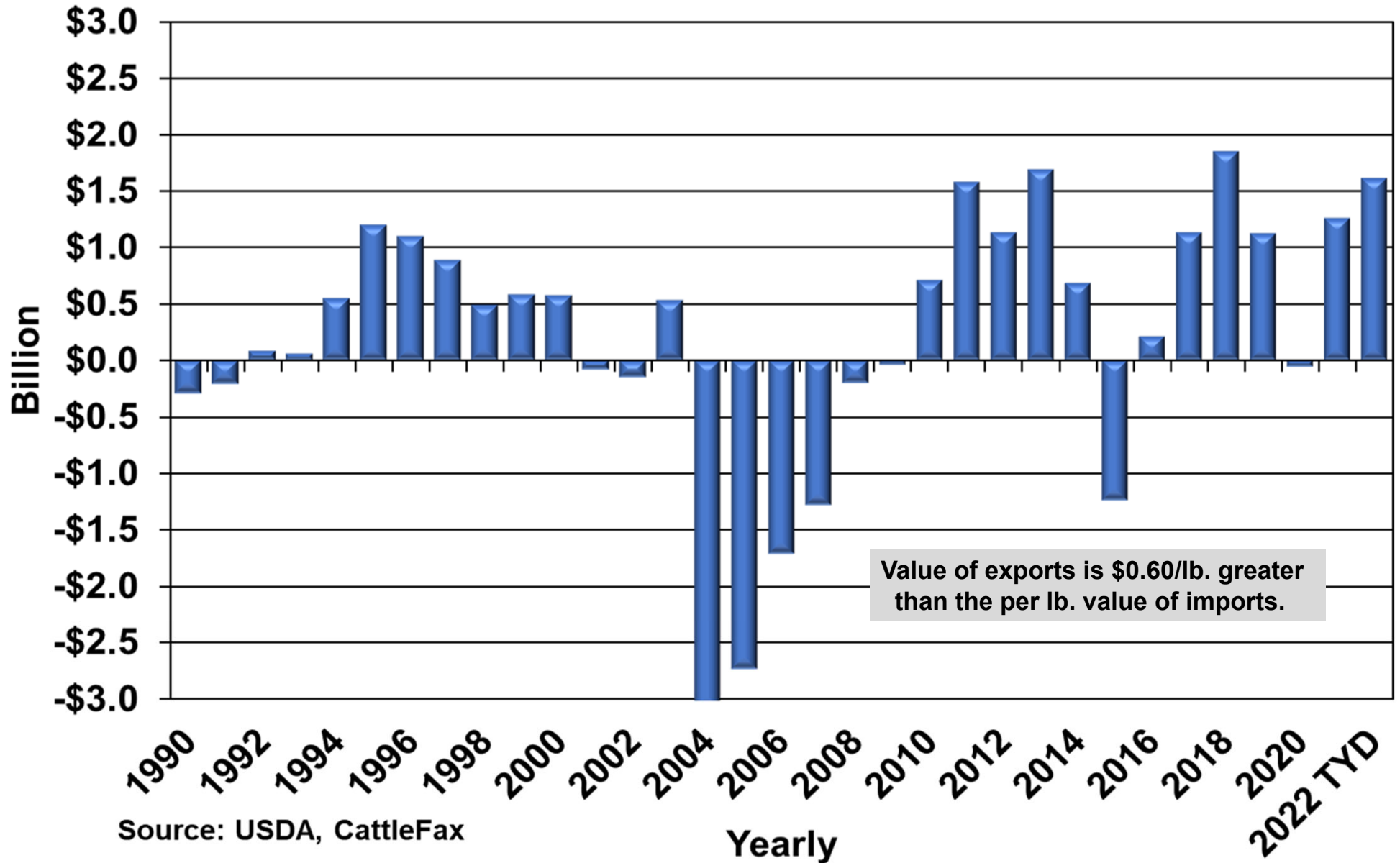


U.S. Beef Imports and Exports



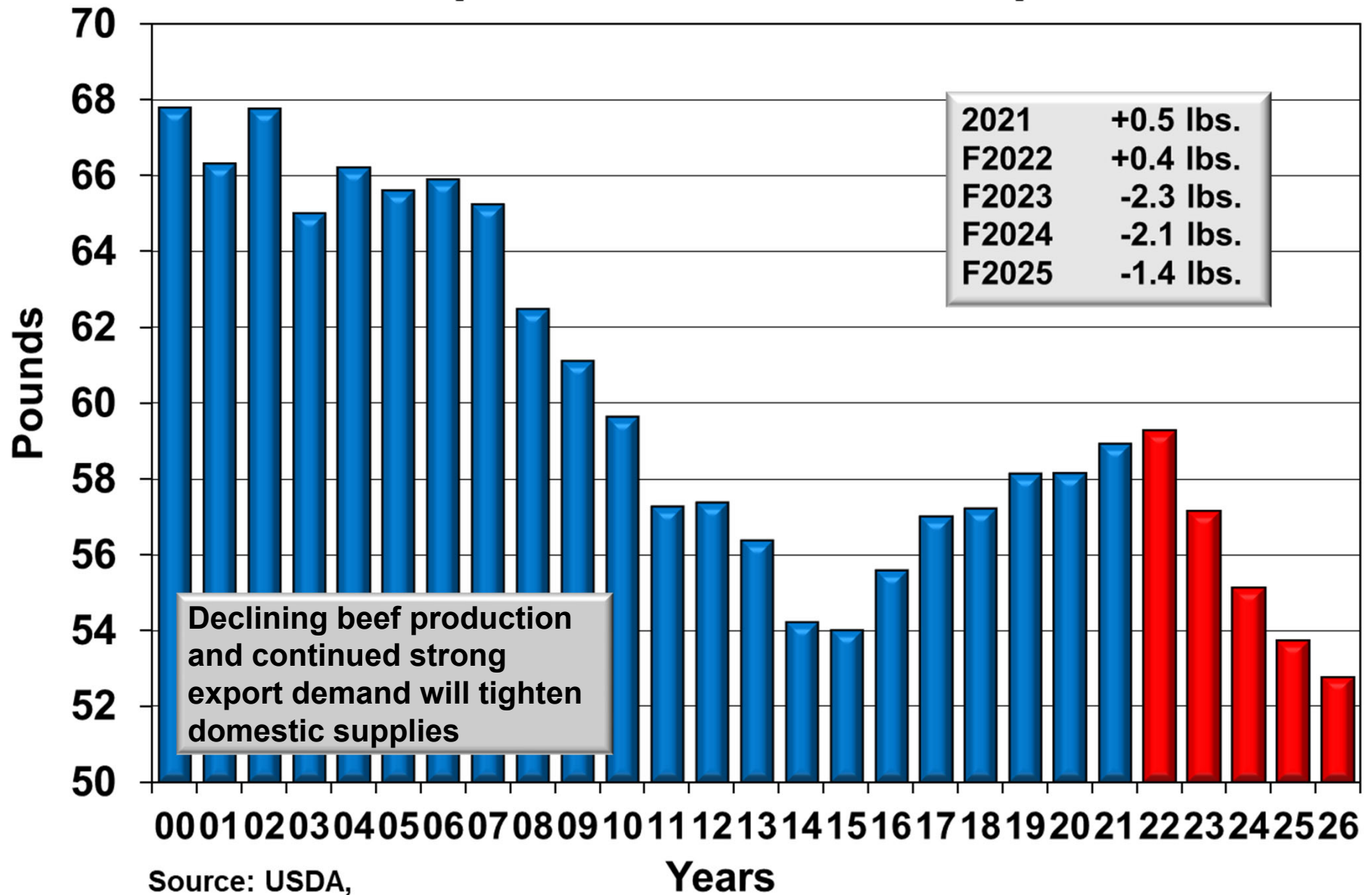
Source: USDA
CattleFax Projection

U.S. Beef and Beef Variety Meat Net Export Value



Source: USDA, CattleFax

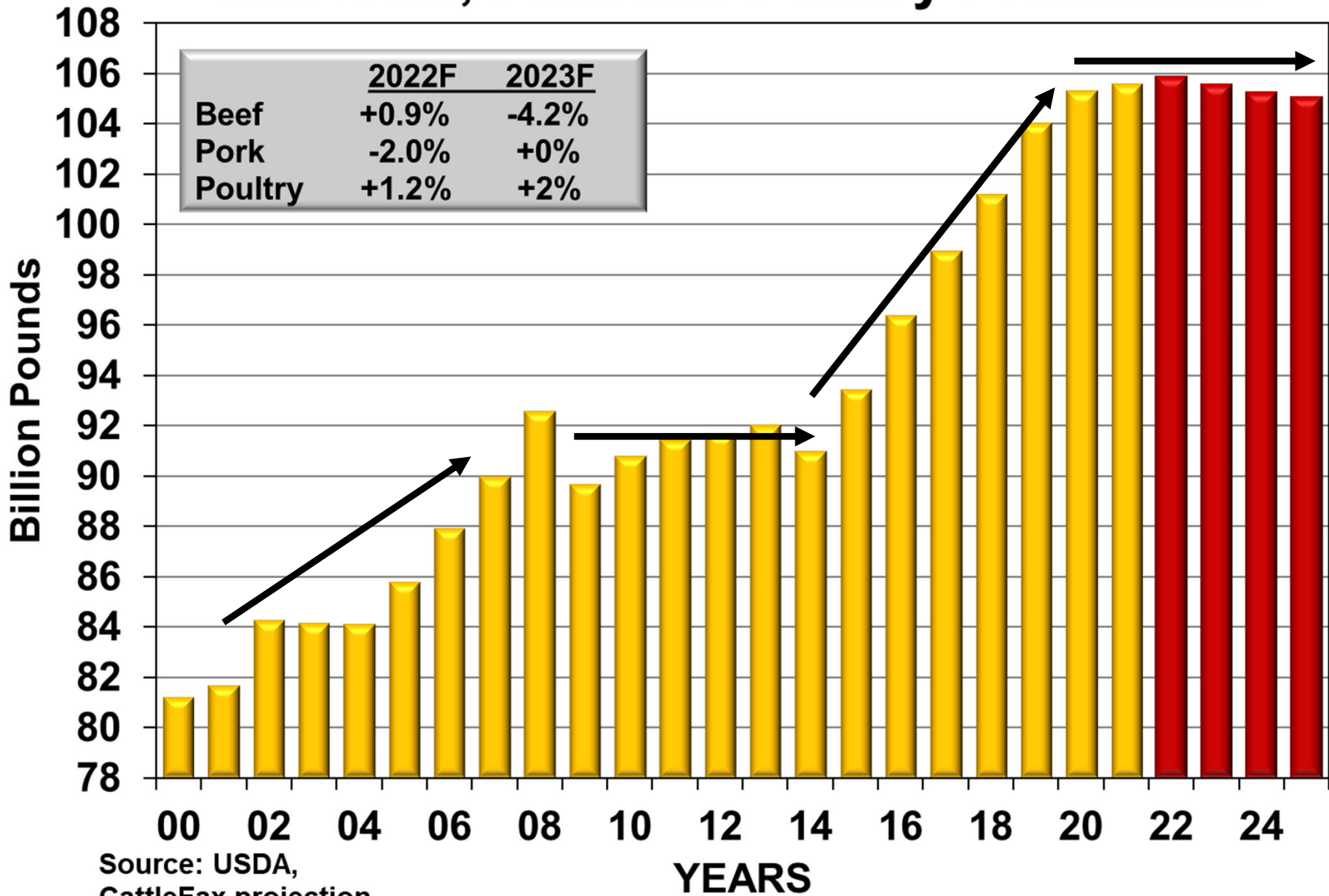
Per Capita Net Beef Consumption



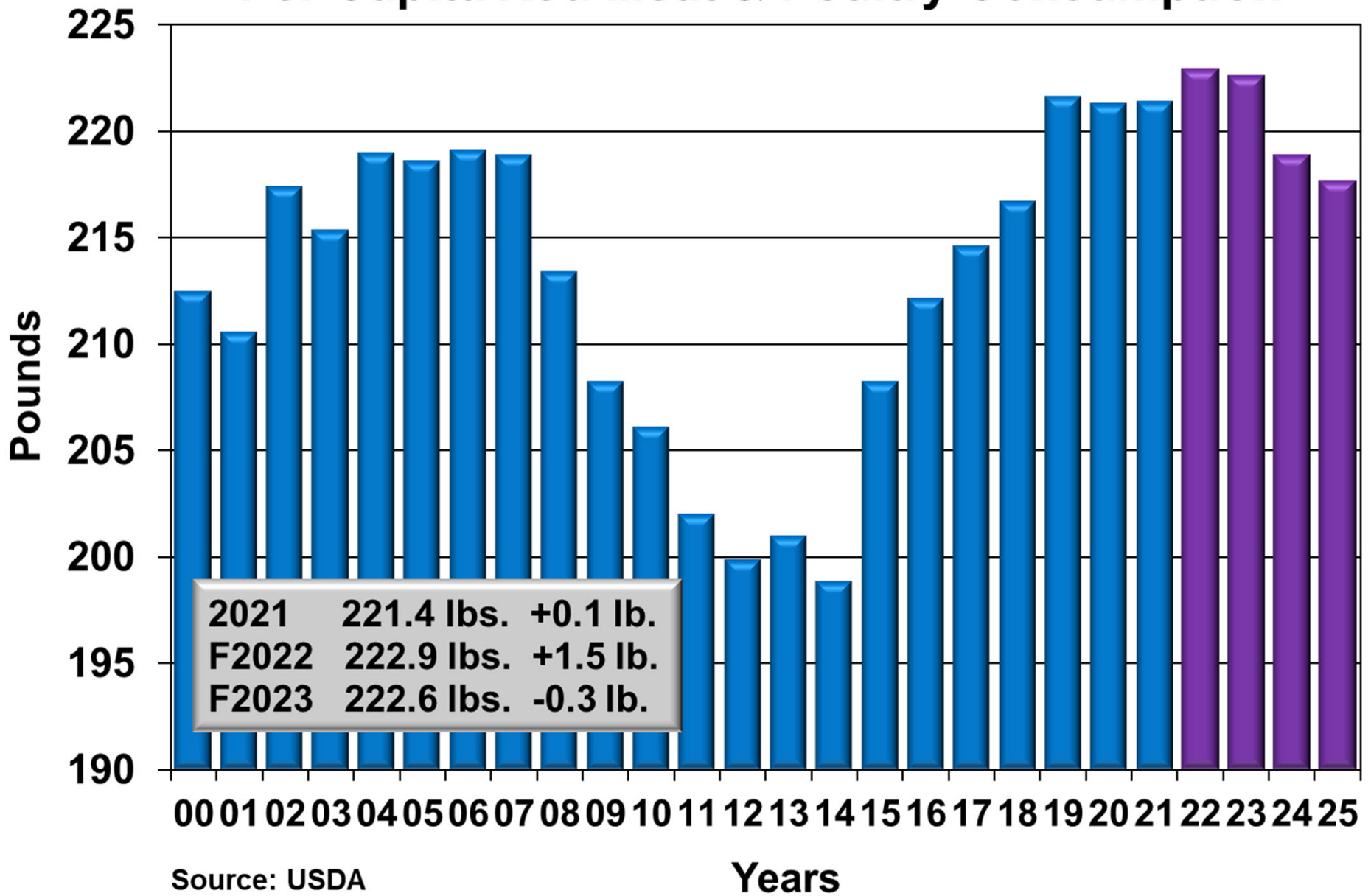
2021	+0.5 lbs.
F2022	+0.4 lbs.
F2023	-2.3 lbs.
F2024	-2.1 lbs.
F2025	-1.4 lbs.

Declining beef production and continued strong export demand will tighten domestic supplies

U.S. Beef, Pork and Poultry Production



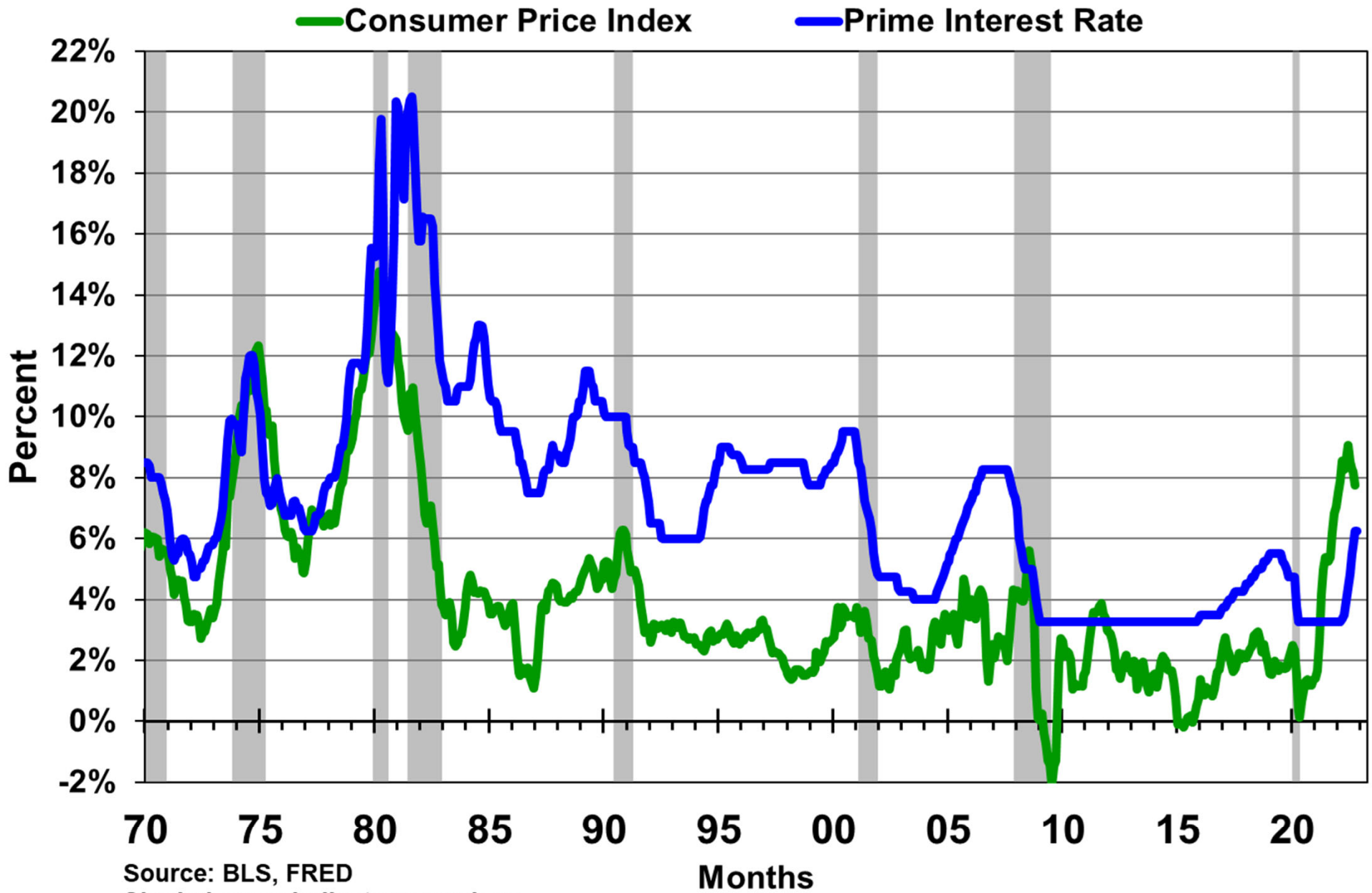
Per Capita Red Meat & Poultry Consumption



Source: USDA
CattleFax Projection

Inflation, Recession & Beef Demand

U.S. Inflation & Interest Rates

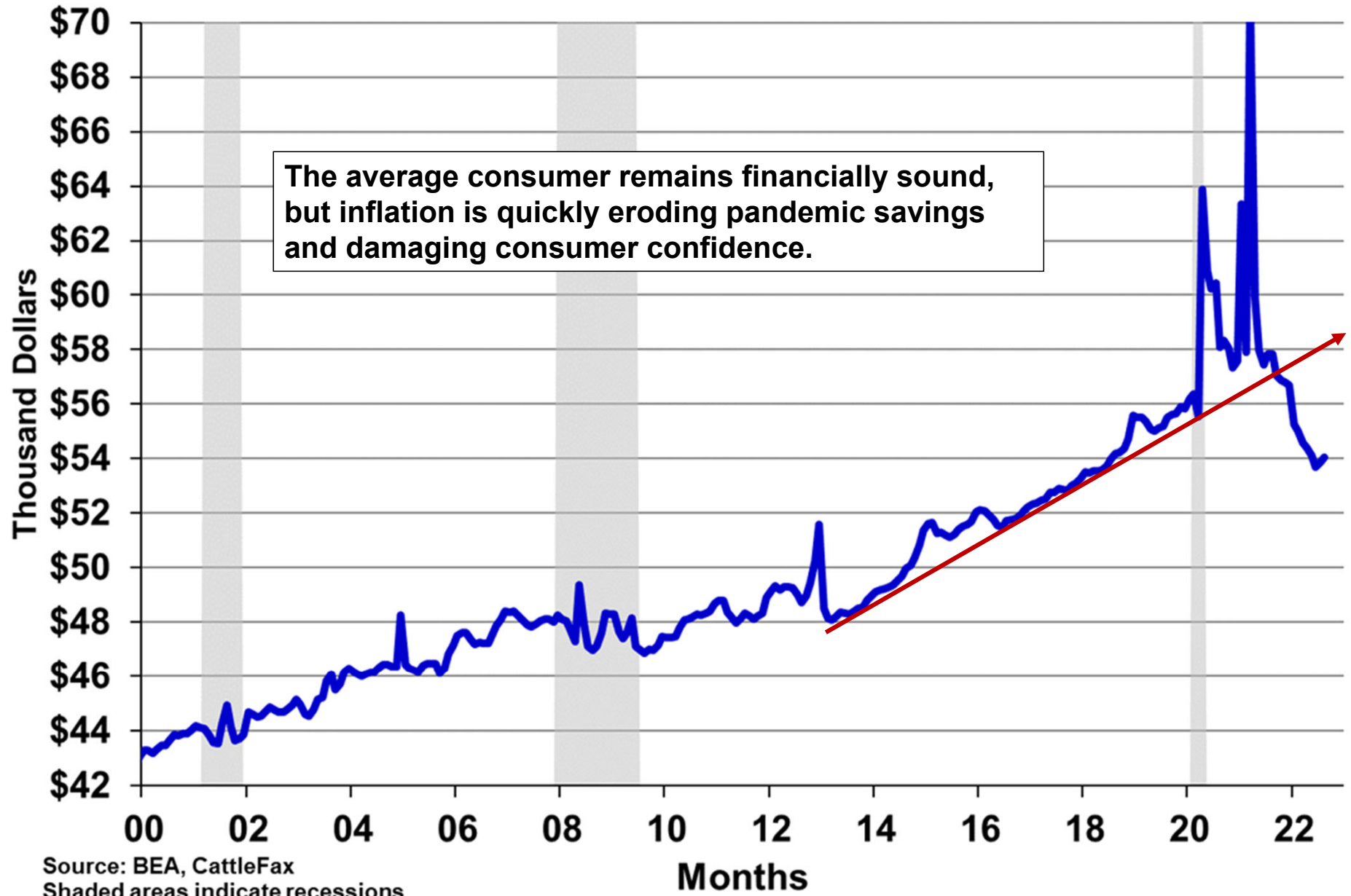


Source: BLS, FRED
Shaded areas indicate recessions

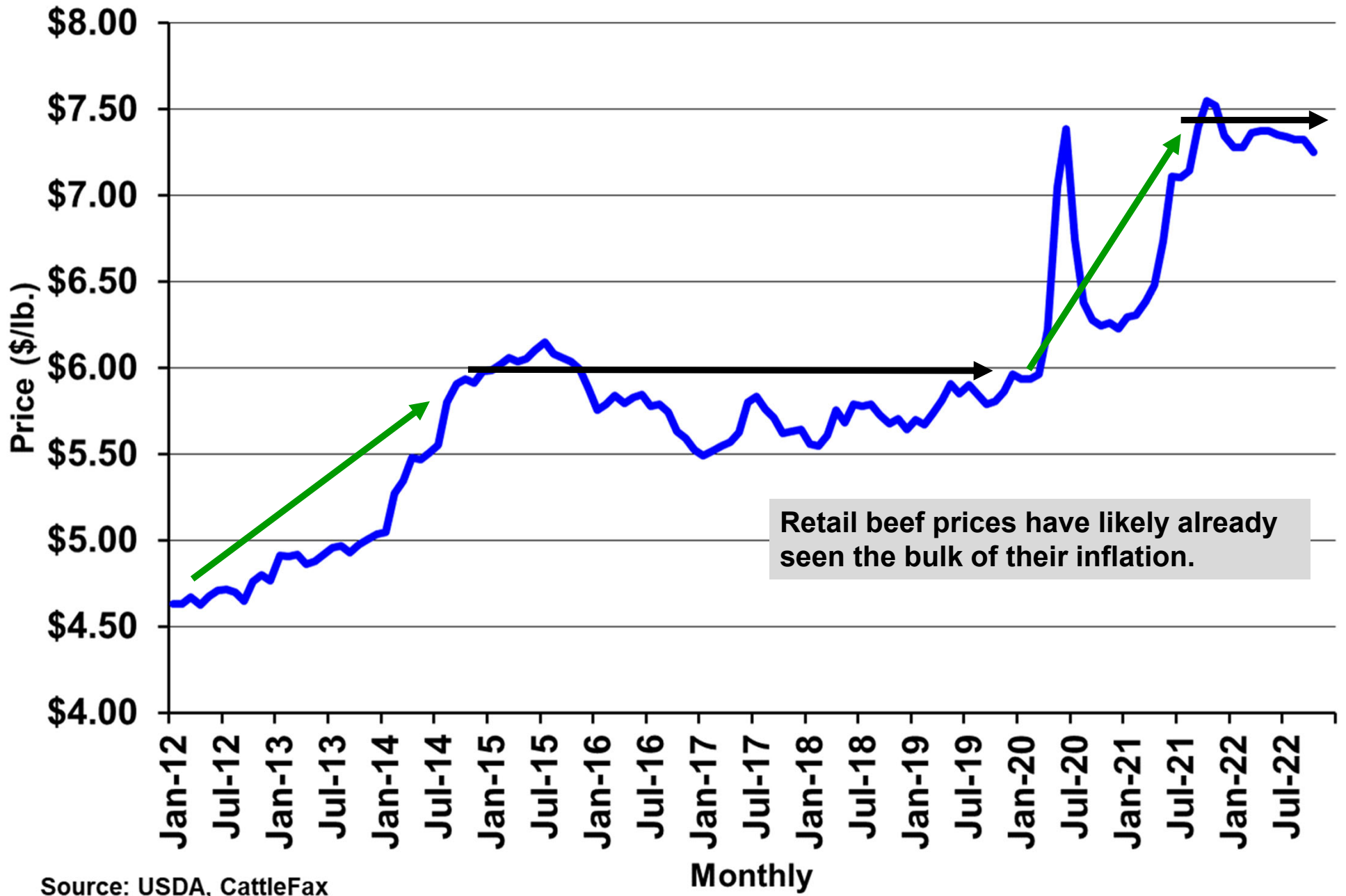
U.S. Unemployment Rate



U.S. Real Per Capita Disposable Income



USDA All-Fresh Retail Beef Price



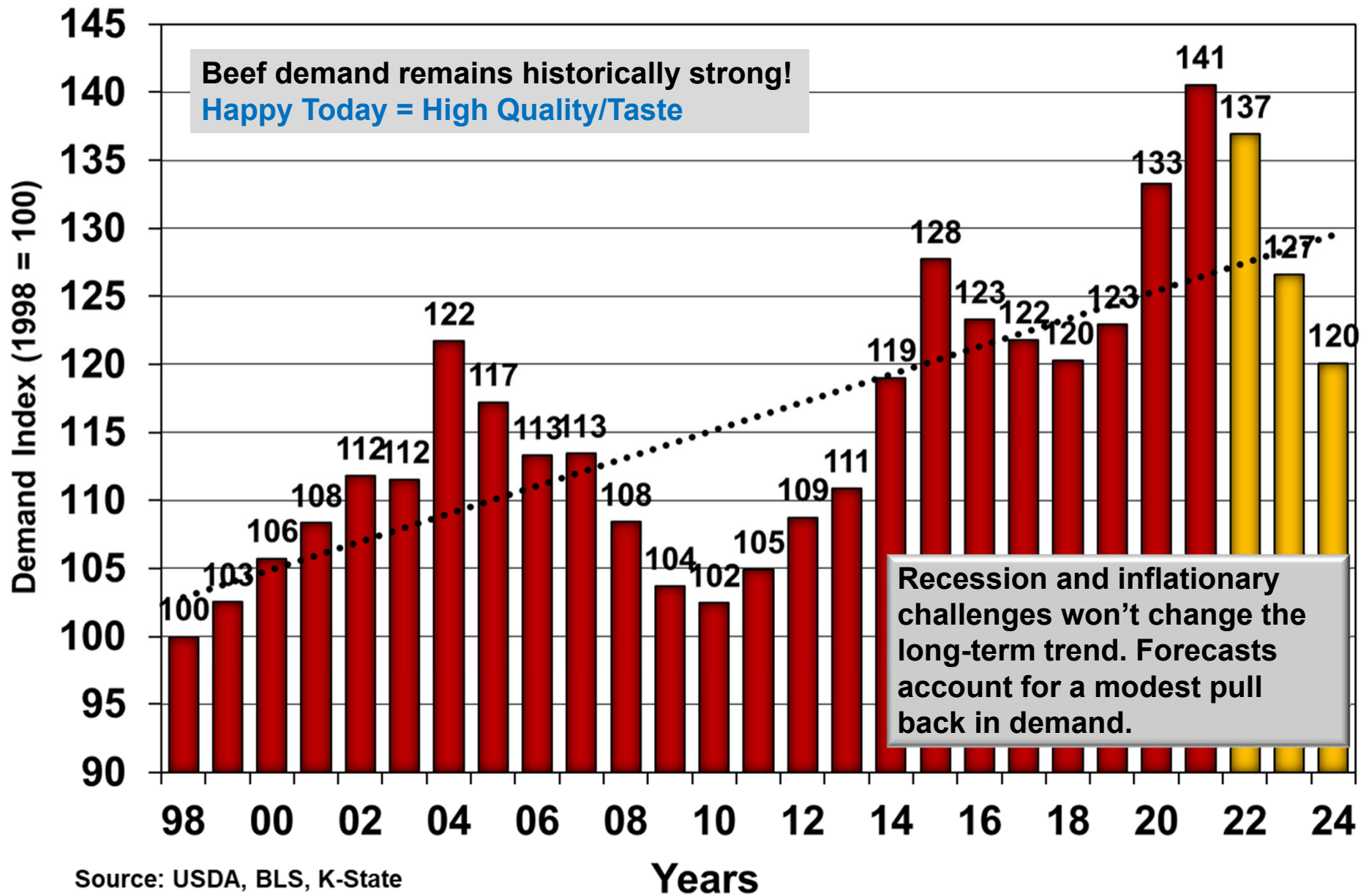
Source: USDA, CattleFax

U.S. Retail Protein Prices

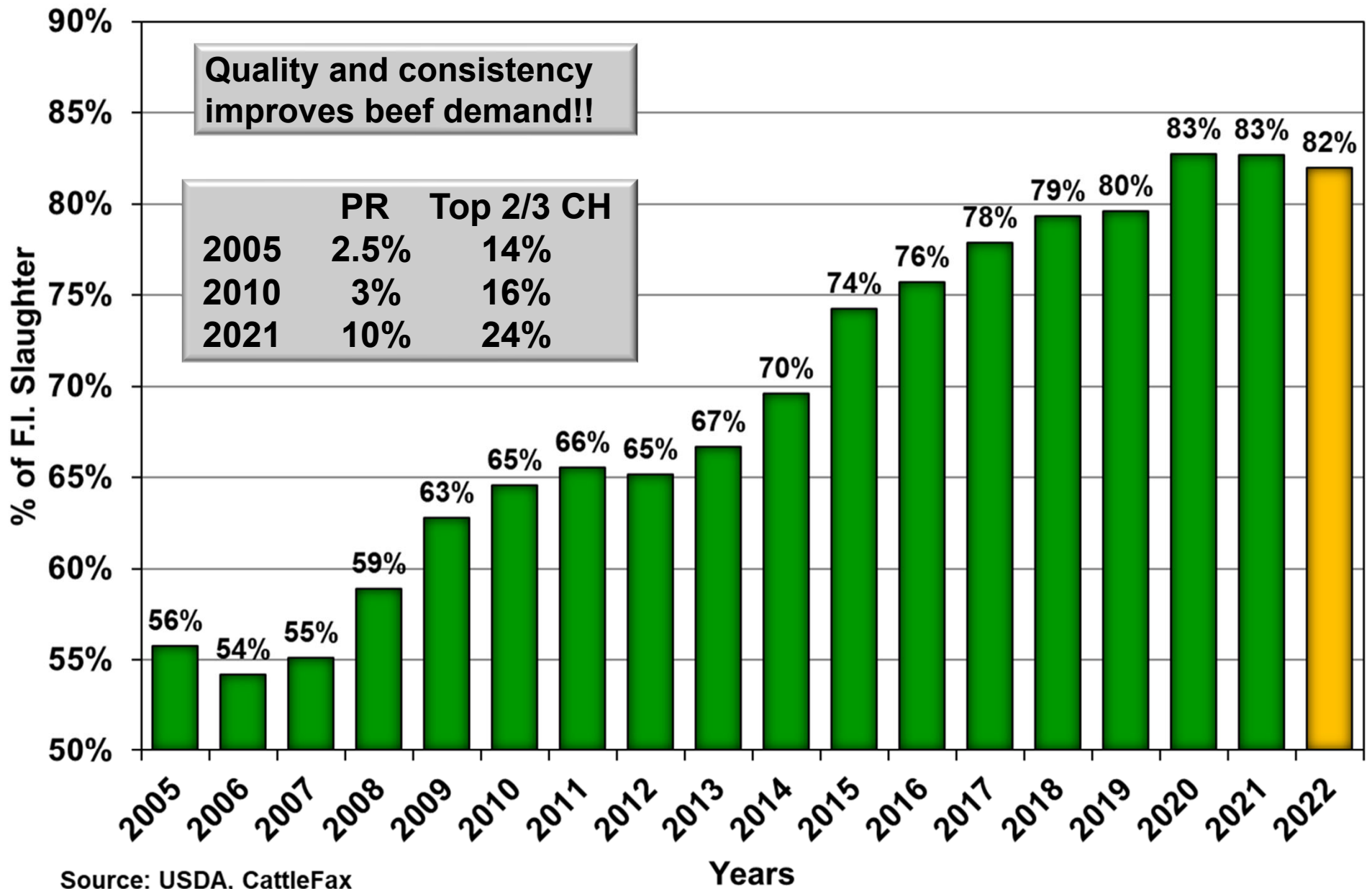
	Oct-2022	% vs. YA
Choice Beef	\$7.42	-6.1%
All-Fresh Beef	\$7.25	-4.0%
Ground Beef	\$4.84	2.5%
Composite Pork	\$5.05	4.8%
Composite Broiler	\$2.54	16.6%
Fresh Whole Chicken	\$1.86	22.3%
Boneless Breast	\$4.67	30.1%
Grade A Eggs (\$/doz.)	\$3.42	87.8%
Whole Milk (\$/gal.)	\$4.18	14.2%

Source: USDA, BLS, CattleFax

Annual U.S. Retail Beef Demand Index

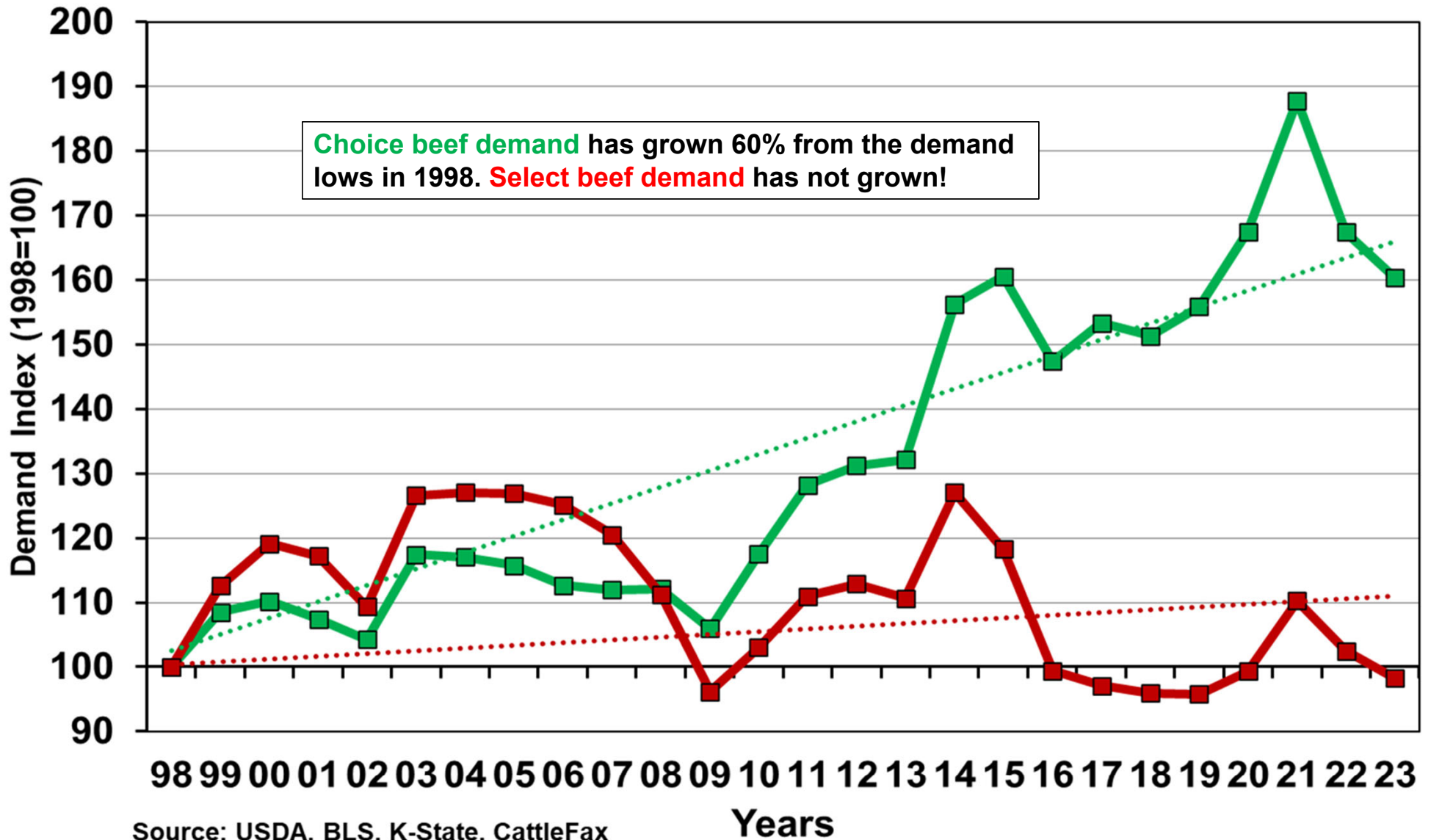


USDA Prime+Choice Grading Percentage



U.S. Wholesale Beef Demand by Grade

■ USDA Choice Cutout
 ■ USDA Select Cutout

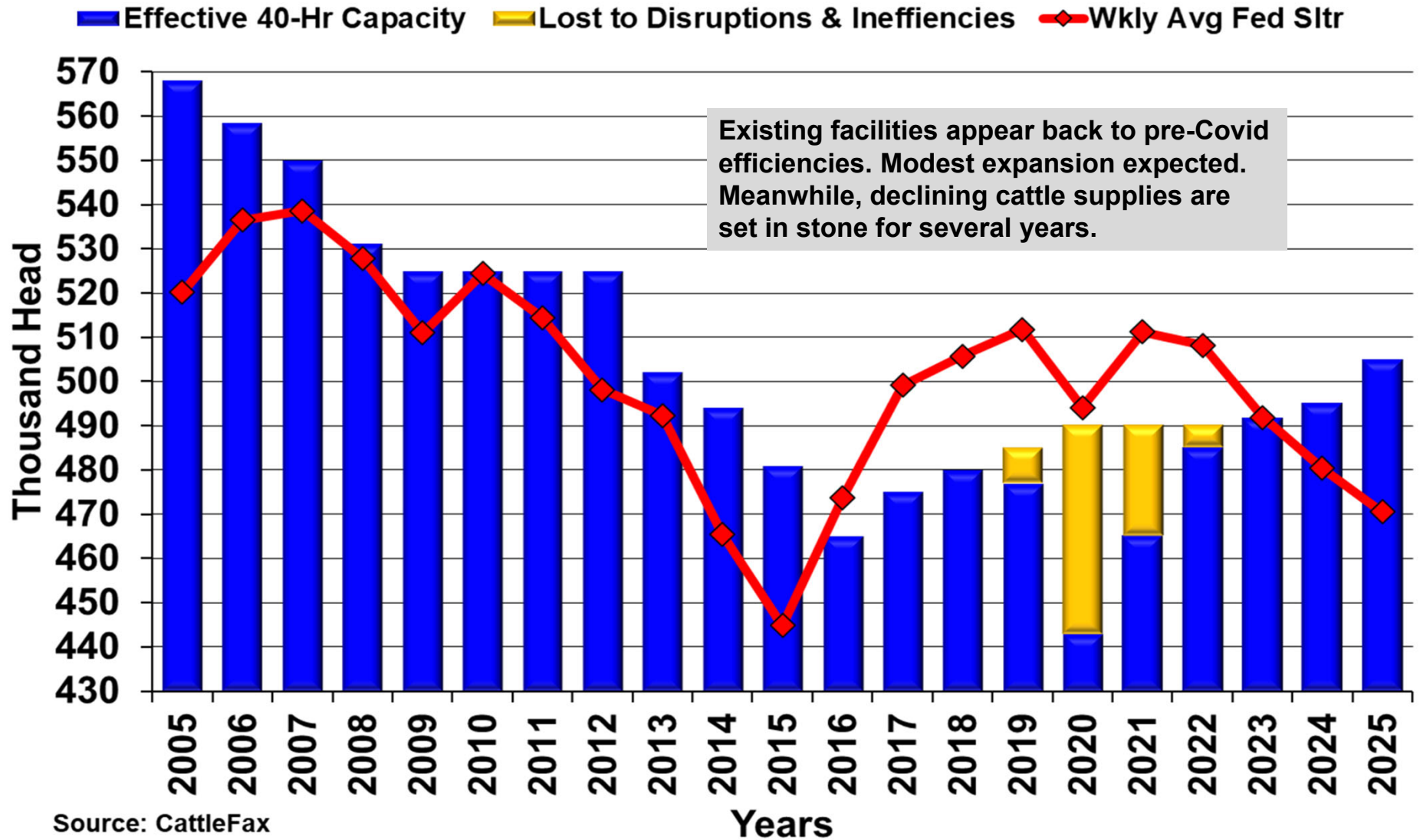


Source: USDA, BLS, K-State, CattleFax

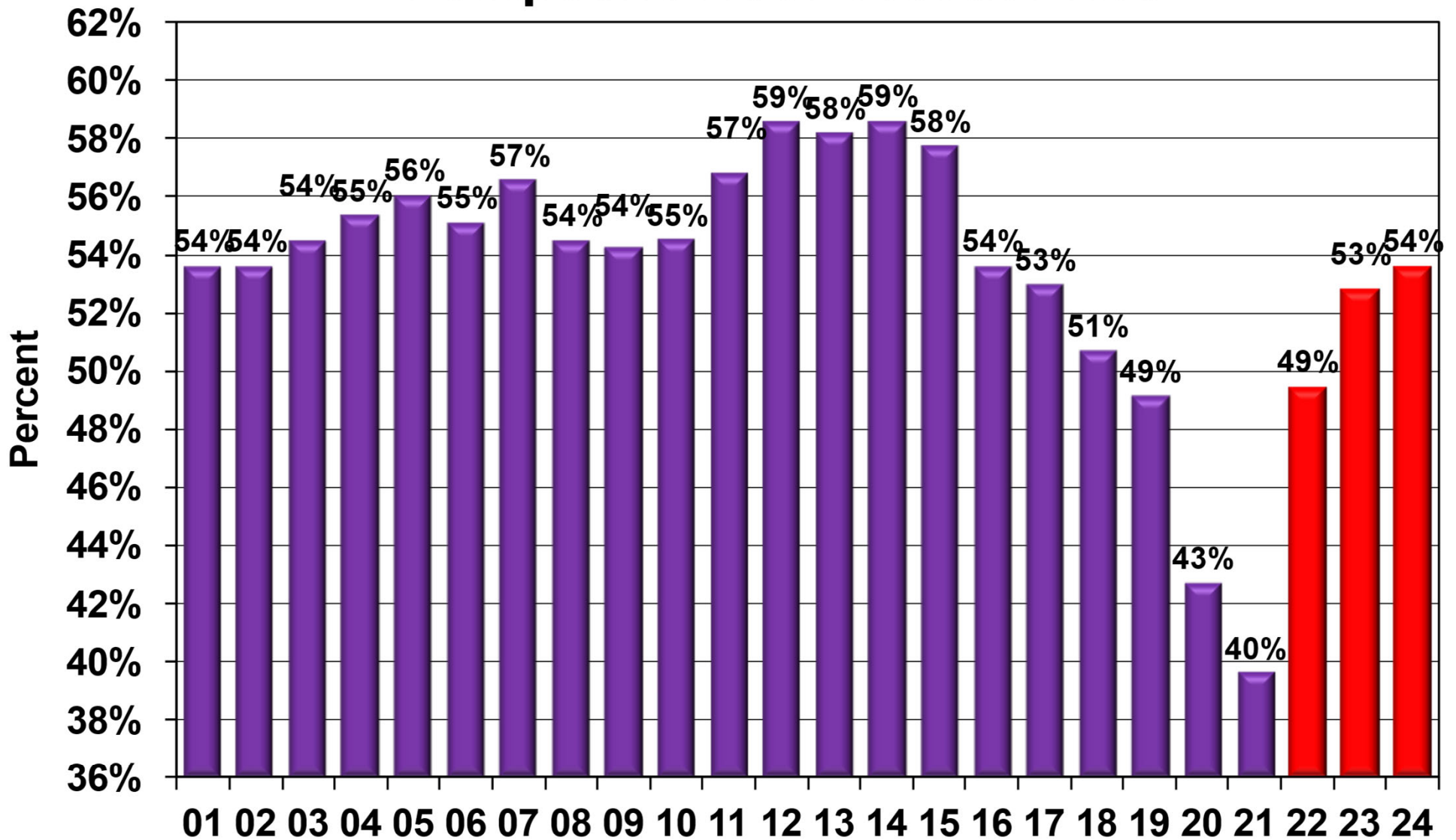
Prices & Profitability

Fed Slaughter Capacity Utilization

Vs. Monday-Friday Packing Capacity



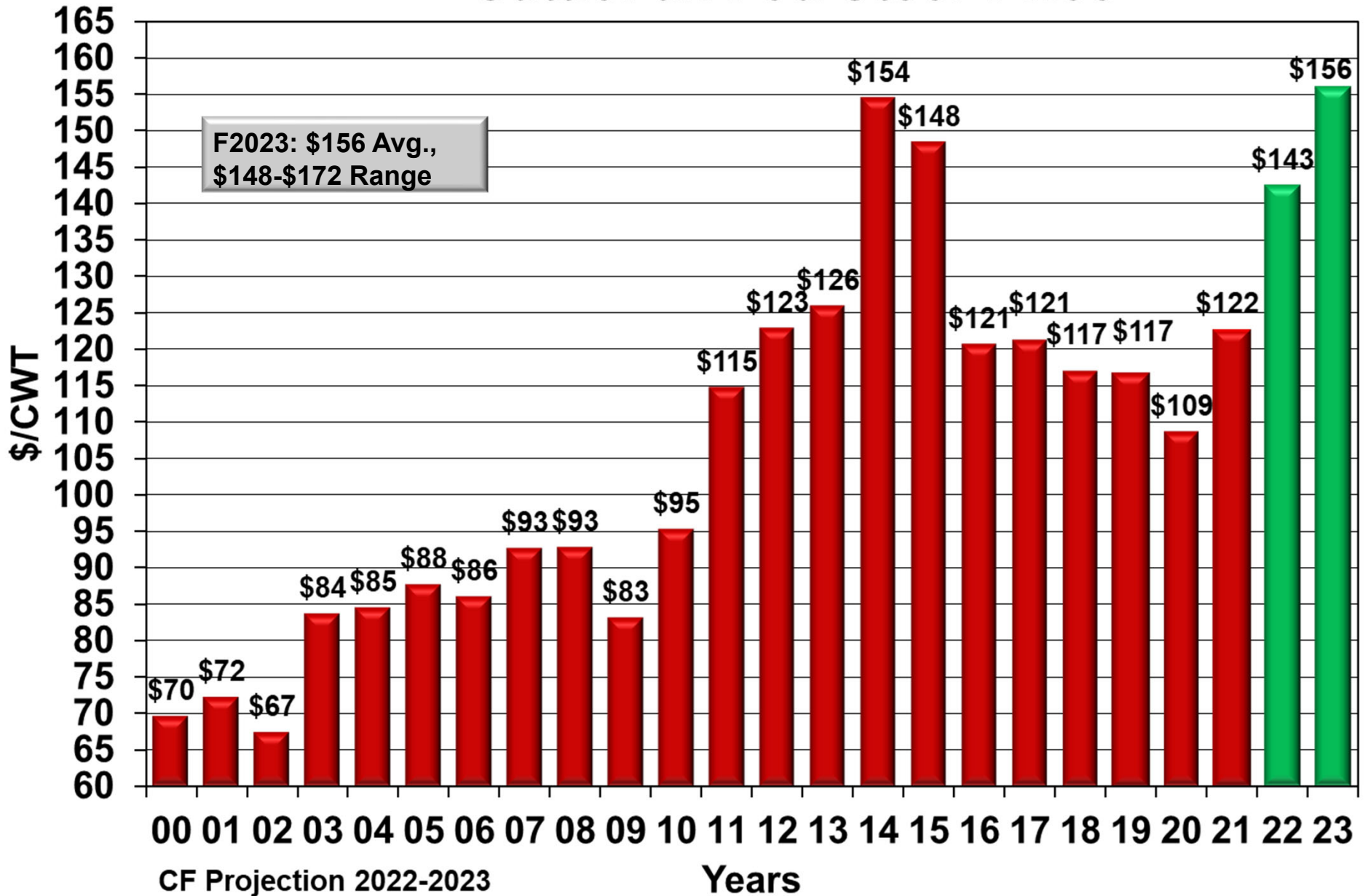
Fed Cattle Price as a Percent of the Composite Beef Cutout Price*



Source: USDA, CattleFax projection
 *Fed price excludes drop credit

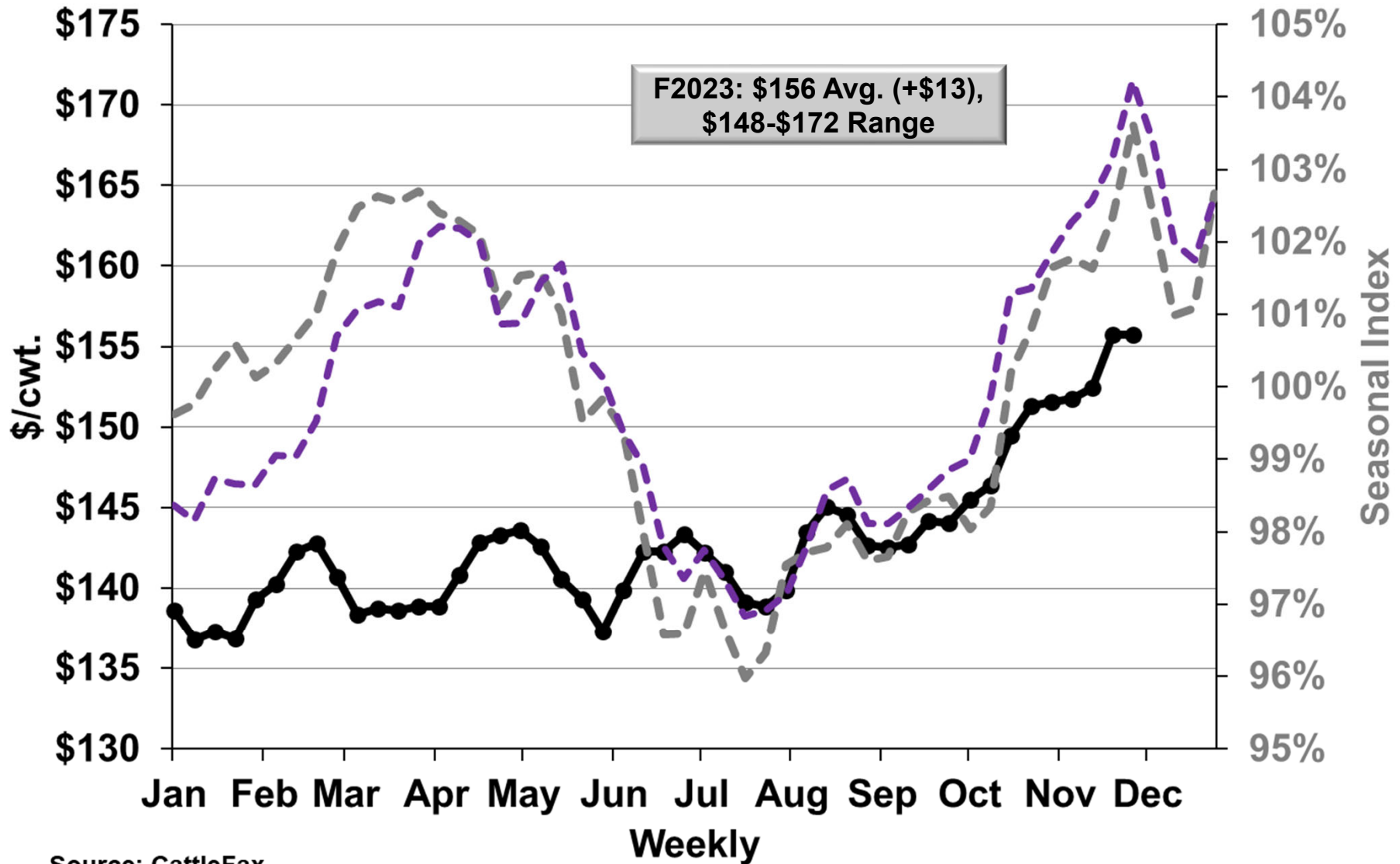
Years

CattleFax Fed Steer Price



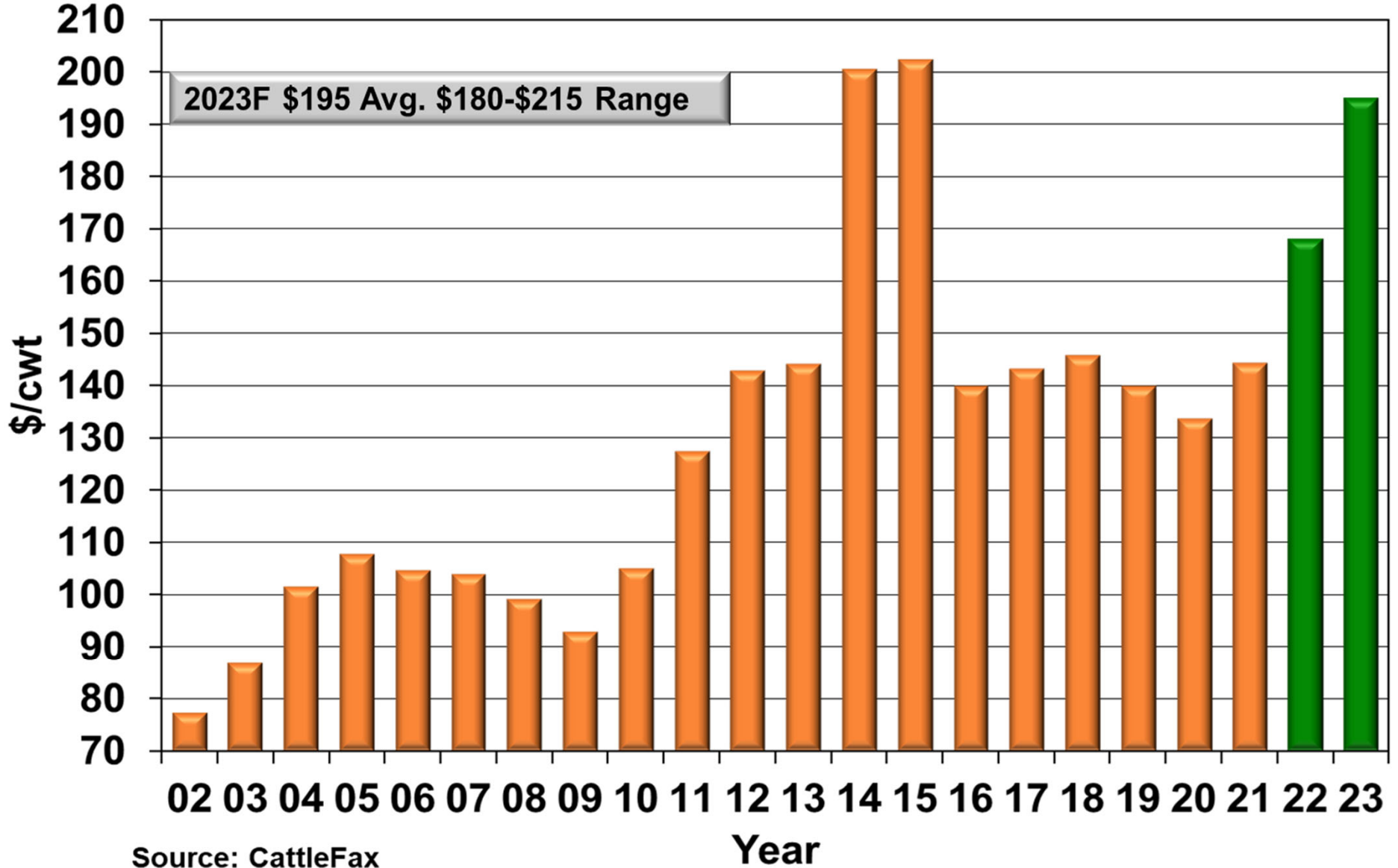
CattleFax U.S. Fed Steer Price

● 2022 - - 20-Yr Index - - Non-Expansion



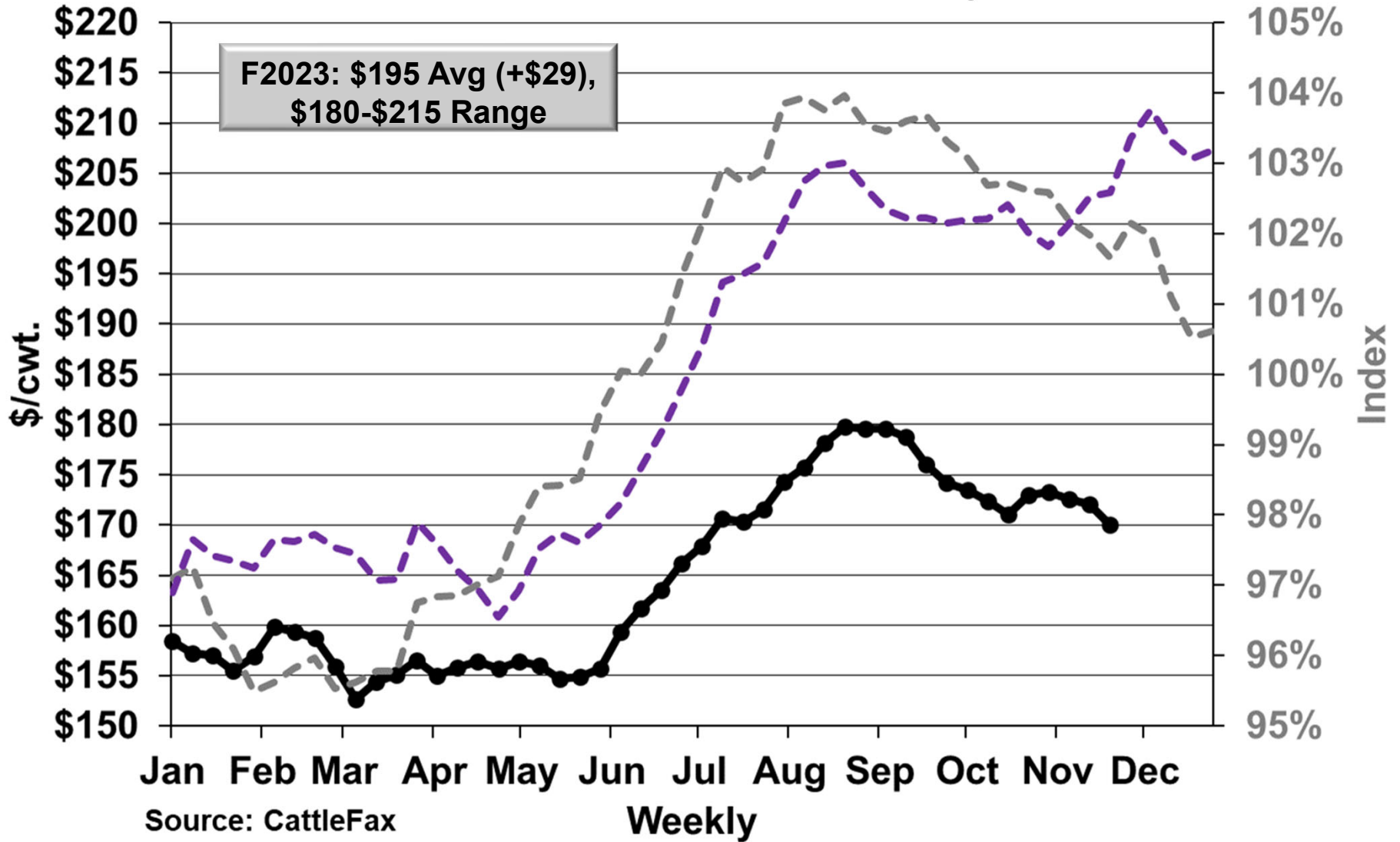
Source: CattleFax

Annual U.S. 800-lb Steer Price

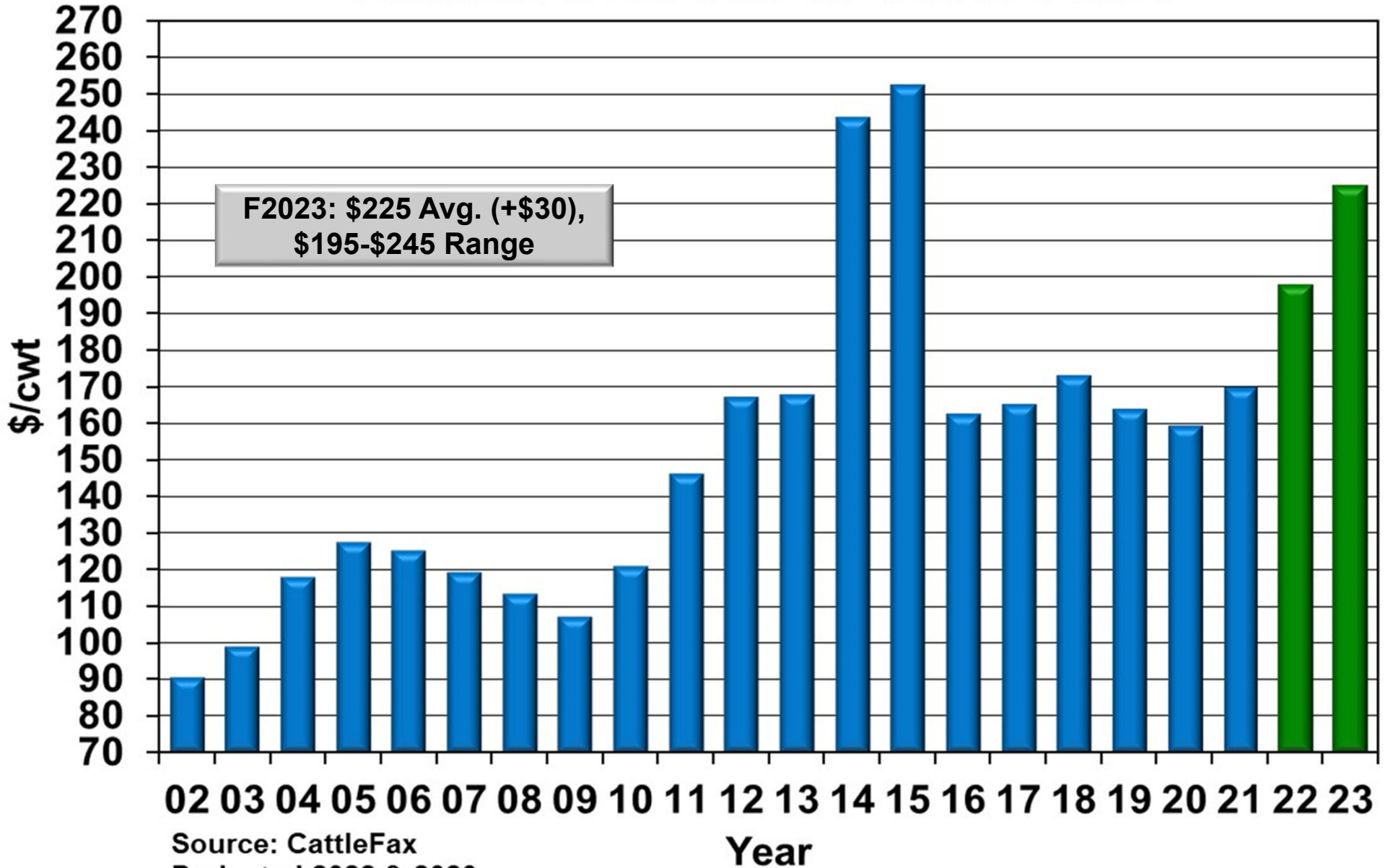


CattleFax U.S. 800-lb. Steer Price

● 2022 - - 20-Yr Index - - Non-Expansion

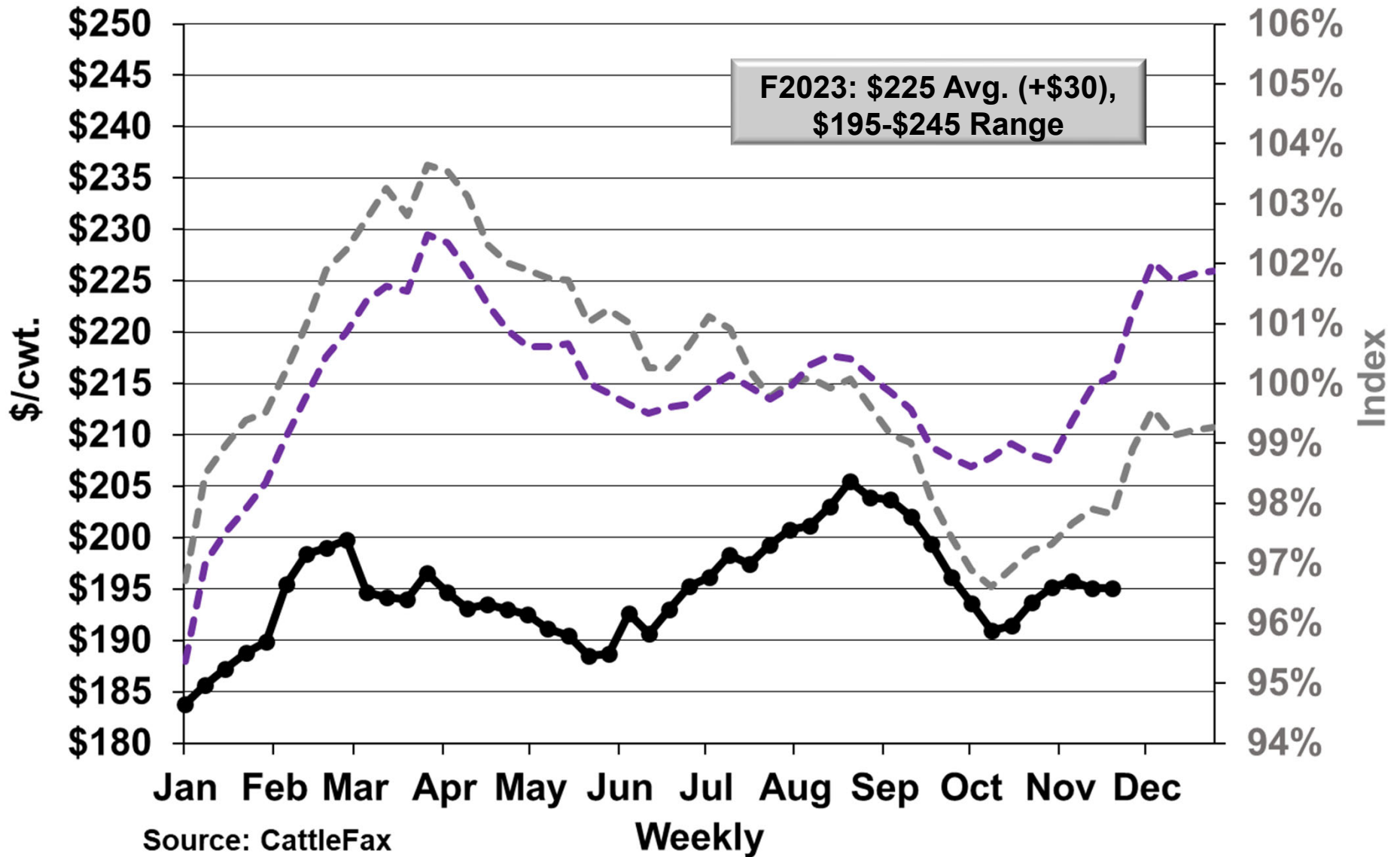


Annual U.S. 550-lb Steer Price



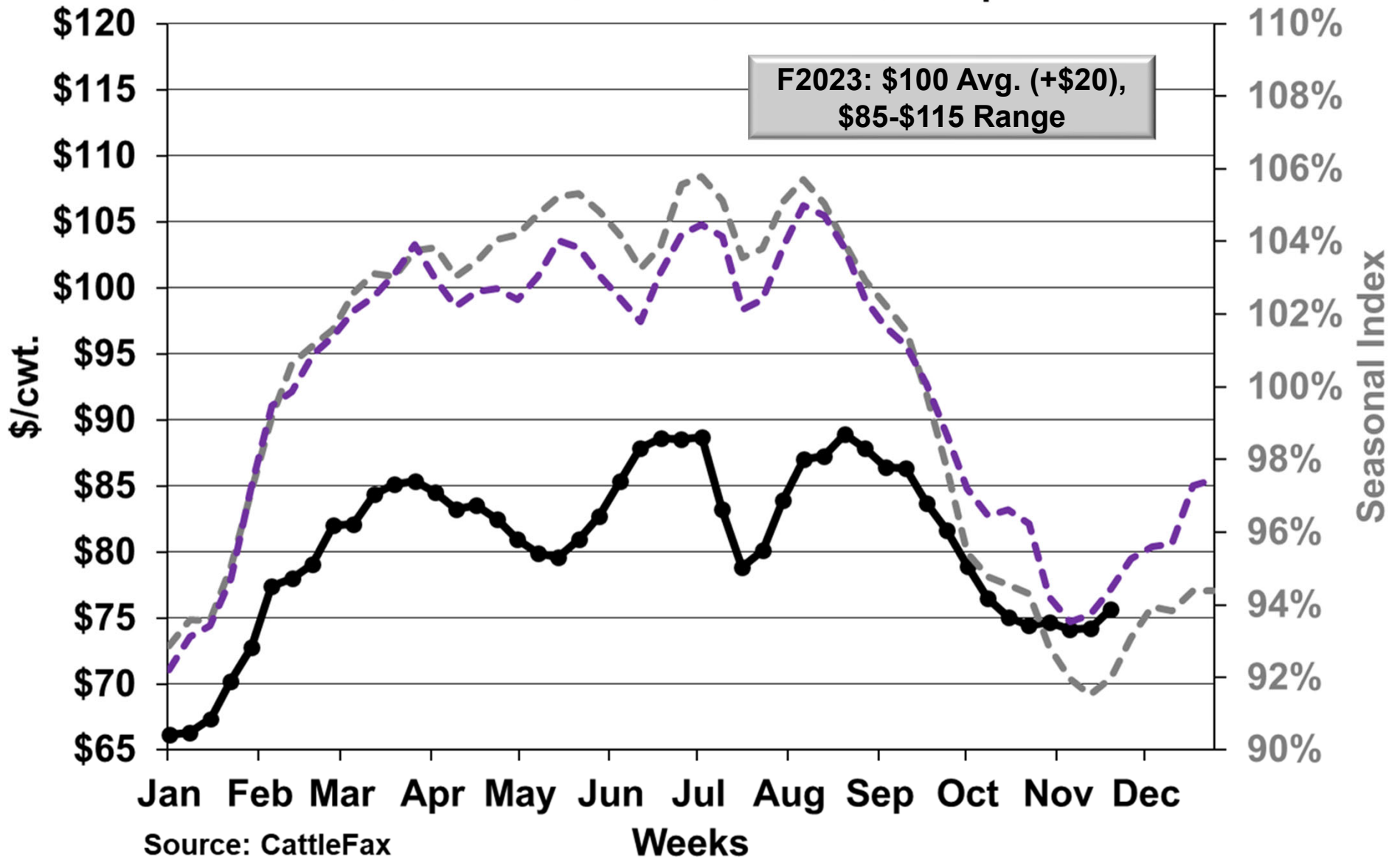
CattleFax U.S. 550-lb. Steer Price

—●— 2022 - - - 20-Yr Index - - - Non-Expansion Index



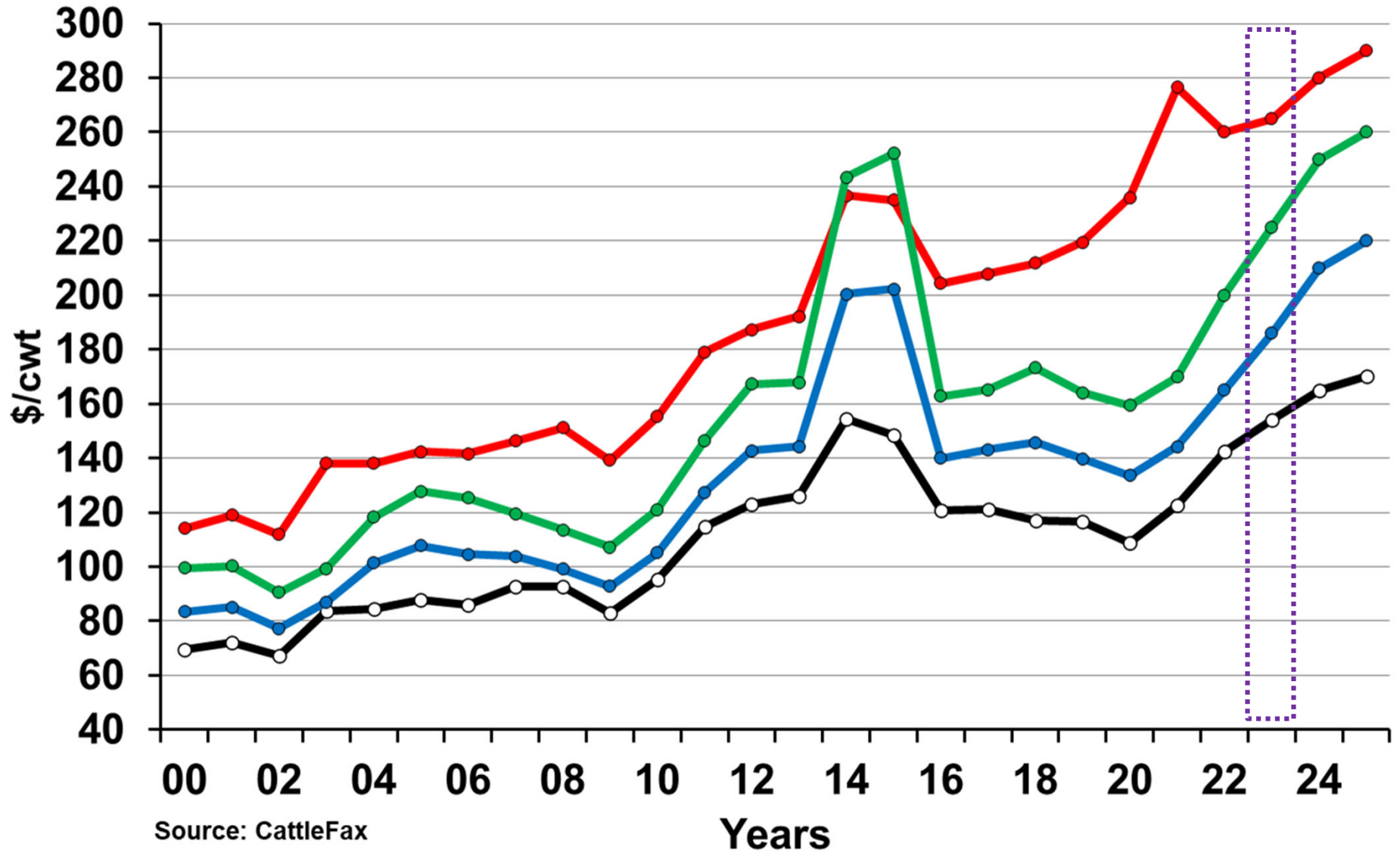
CattleFax U.S. Utility Cow Price

● 2022 - - 20-Yr Index - - Non-Expansion



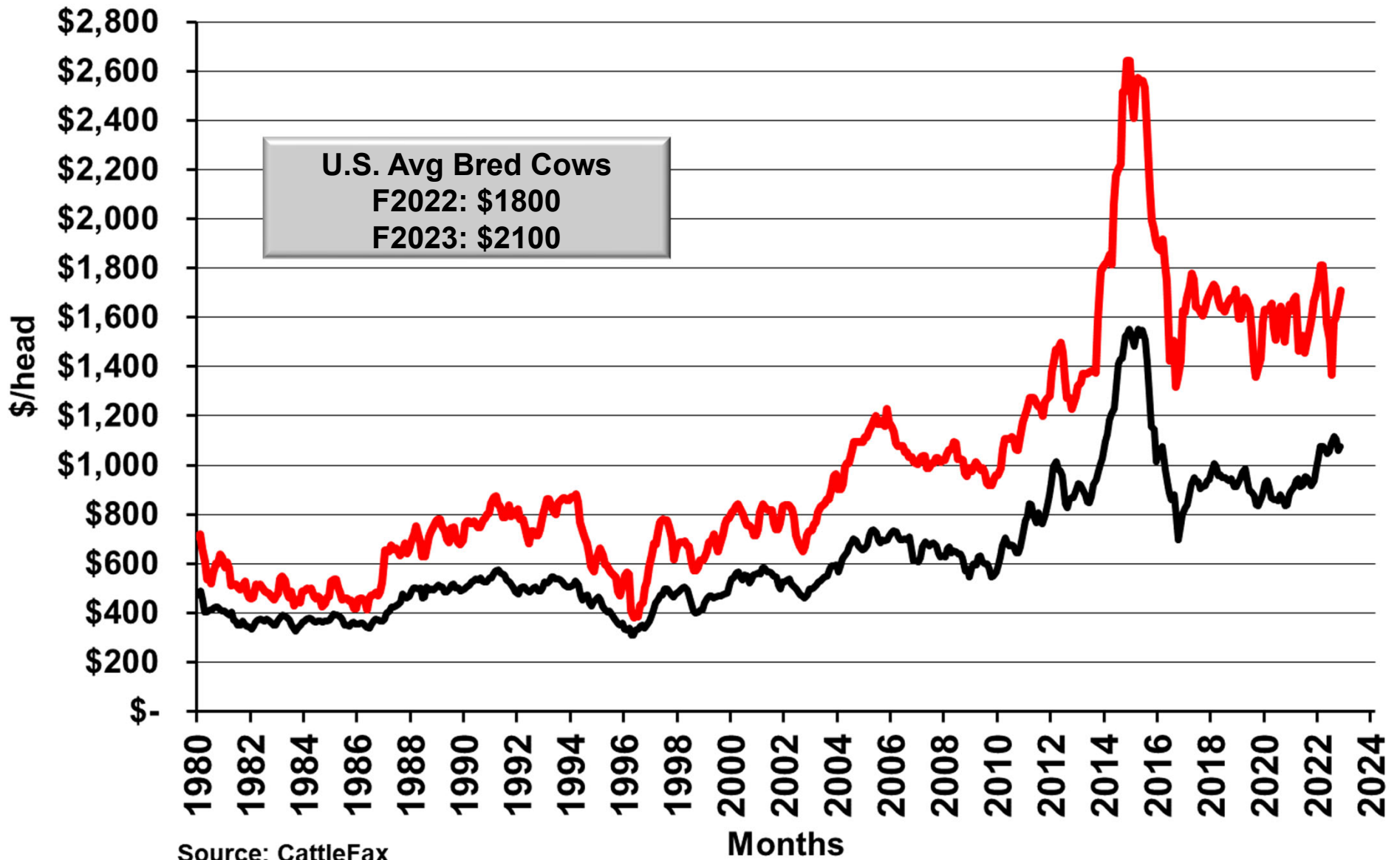
Annual U.S. Average Cattle Prices

● Cutout ○ Fed ● 800# Steer ● 550# Steer



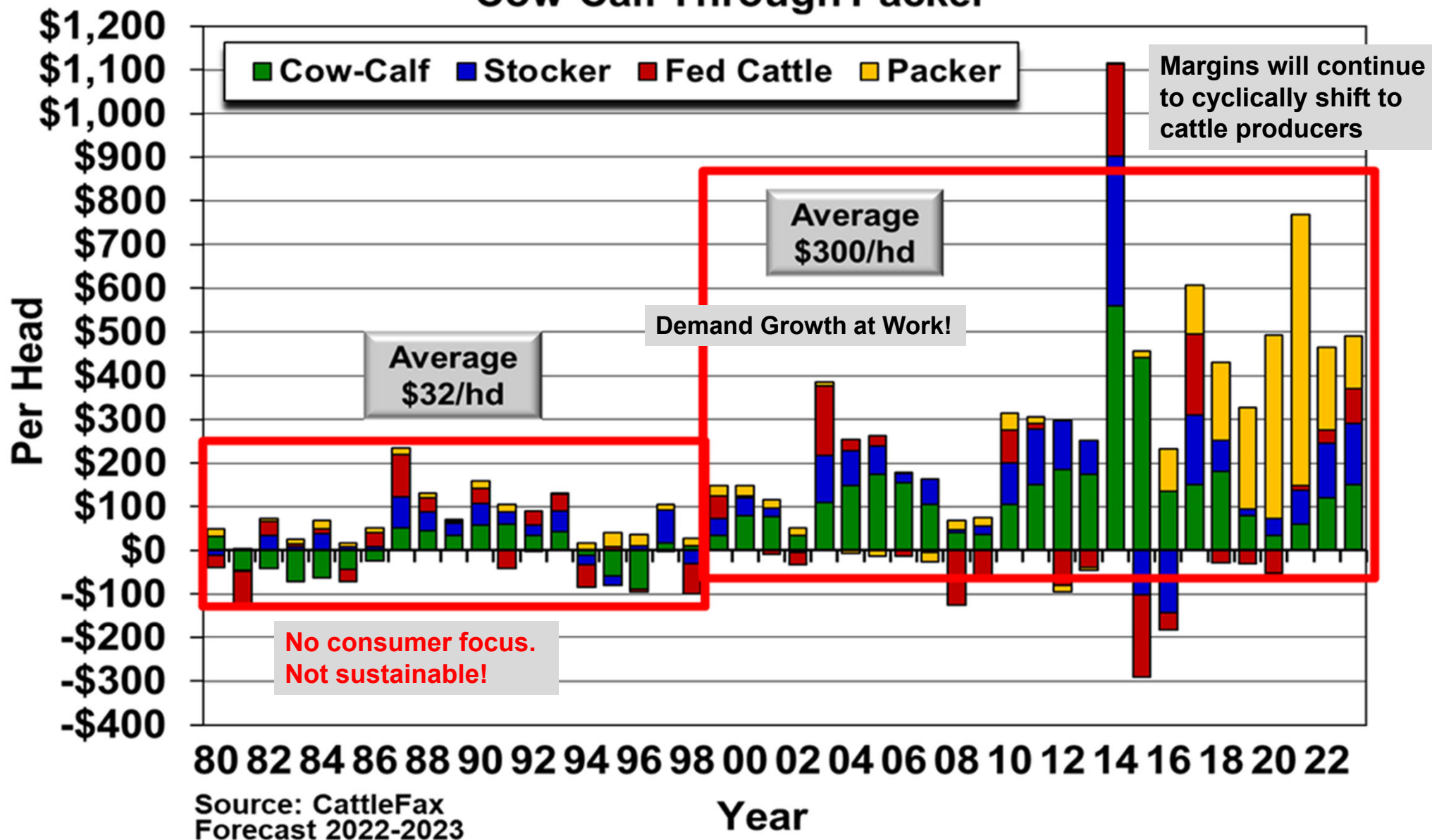
Bred Female vs. Steer Calf Prices

— U.S. Avg Bred Cow — U.S. Avg. 550-lb. Steer Calf



Industry Profitability

Cow-Calf Through Packer





Executive Summary:

- **Supplies:** Drought will subside in 2023 but liquidation will drive years of tighter cattle supplies and beef production.
- **Demand:** Recessionary and inflationary challenges are real but U.S. beef demand is expected to remain resilient.
- **Prices and margins:** Expect higher prices into mid-decade, outpacing input costs and driving improved producer profitability.

Thank you!

Questions?

Patrick Linnell
plinnell@cattlefax.com

Become a member!
www.cattlefax.com